2005

Unlocking Value

BOARDWALK RENTAL COMMUNITIES

2005 ANNUAL REPORT

BOARDWALK REAL ESTATE INVESTMENT TRUST


Boardwalk REIT... Unlocking Value

2005 Highlights

Operating Results

- Increased rental revenues by 6.7% to $297.5 million.
- Increased NOI by 5.6% to $188.0 million.
- Decreased FFO from continuing operations by 1.0% to $74.8 million.
- Decreased DI from continued operations by 2.0 % to $1.46 per unit.
- Same-property rental revenues rose by 1.3%, and same property NOI decreased by 0.8%.

Growth

- Completed over 115.2 million in property acquisitions in 2005.
- Acquisitions totaled 1,325 rental units.
- British Columbia acquisitions diversify our portfolio across three additional markets and into a fifth province. The acquisitions in Quebec increase our market capture in the traditionally strong rental market of Quebec City.

Performance

- Boardwalk Trust units provided 14.85% total return to investors during fiscal 2005.

Financing

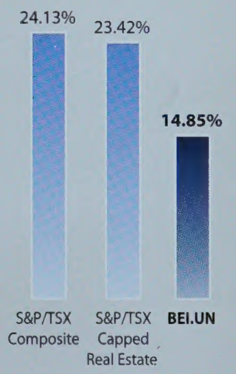
- Financed $146.2 million of mortgage debt, and reduced blended interest rate from 5.49% to 5.38%

Rental Revenue
(Cdn$ Millions)

*May 31 year end

Funds From Operations Per Share *(Cdn$)*

*May 31 year end



Total Return Index
(Jan. 1, 2005 to Dec. 31, 2005)

Contents

Note: This hard copy version of Boardwalk REIT's 2005 Annual Report is complemented by our electronic version of the same, available on our website at www.boardwalkREIT.com. Links to source information in the electronic version are described by the symbol < > in the hard copy.

Our Mission

Boardwalk's Mission is "To serve and provide our residents with quality rental communities".

Corporate Profile

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is Canada's largest owner/operator of multi-family rental communities. Boardwalk REIT owns and operates in excess of 260 properties with over 33,300 rental units totalling approximately 28 million net rentable square feet (as of Dec 31, 2005). The Trust's portfolio is concentrated in the Provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec. Boardwalk REIT's Trust units are listed on the Toronto Stock Exchange, trading under the symbol BEI.UN. The Trust's total enterprise value at December 31, 2005, was $2.7 billion.

Boardwalk was incorporated as Boardwalk Equities Inc. in 1994. On May 3, 2004, the Corporation announced the successful completion of its reorganization to Boardwalk Real Estate Investment Trust, or "Boardwalk REIT". The Trust's principal objectives are to provide its Unitholders with stable and growing cash flow distributions and to increase the value of its Trust units through the effective management of its residential multi-family revenue-producing properties and the acquisition of additional properties.

Unlocking Value

Fiscal 2005 was a successful year for Boardwalk REIT. In its first full year operating as a Trust, Boardwalk posted solid financial results in line with the previous year-end's forecasts. While 2004's low interest rates and record residential construction resulted in somewhat increased Customer turnover and incentives, 2005 was characterized by lower turnovers, reduced Customer incentives and continued revenue growth. However, significant inflation in operating costs did offset stronger revenues for the year. The solid operating results of 2005 were driven in part by our nationally diversified apartment asset base, the continued strength and improvement in many of our major rental markets across the country, as well as the Trust's superior operating platform.

The dropping capitalization rate ("Cap Rate") environment continues to positively impact our portfolio by increasing net asset values, improving overall value for our Unitholders. To effect the same change in unit price that a decrease of 1% in market capitalization rates would have, reported Net Operating Income would have to increase approximately 16%.

As of the year end, Boardwalk Unitholders realized a total return of 14.85% on their REIT units.

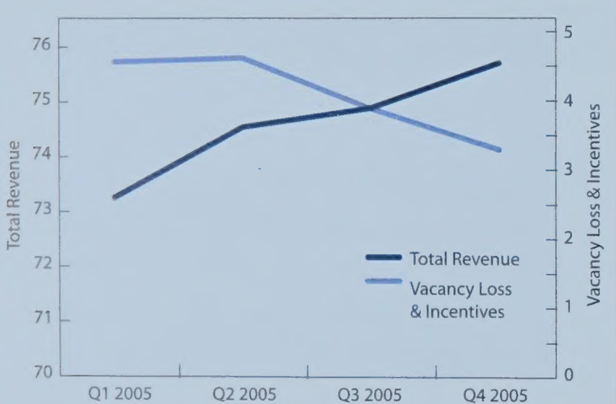
CAP RATE	UNIT PRICE
7.00%	$19.22
6.75%	$21.01
6.50%	$22.94
6.25%	$25.02
6.00%	$27.28
5.75%	$29.73
5.50%	$32.41

Our current Implied market capitalization rate = 6.73%

Financial and Operating Highlights

- Rental revenues of $297.5 million, an increase of 6.7% compared to 2004.
- Funds from Operations (FFO) from continuing operations, excluding property sales, of $74.8 million, a decrease of 1.0%.
- FFO from continuing operations per unit of $1.41 on a diluted basis, down 1.5% compared to 2004.
- Distributable Income (DI) from continuing operations of $77.9 million, a decrease of 0.8% year over year.
- DI from continuing operations of $1.46 per unit, a decrease of 2.0% compared to 2004.

Current demand for our rental product remains very healthy. As both interest rates and home prices consistently rose over the past year, multi-family market fundamentals improved across most of our portfolio. New home construction and house / condominium purchases decreased in 2005 resulting in greater Customer retention, lower Customer turn-over and decreasing rental incentives. In Calgary and Edmonton, two of our largest markets, the robust economy, elevated in-migration, and significant increases in home purchase prices combined to keep the rental revenue cycle in its optimum phase.



Total Revenue vs. Vacancy Loss & Incentives
($millions)

"Unlocking Value" is a fitting theme for our Company as we look forward. With over 20 years of operating success, 1,100 dedicated Associates, $201MM in capital upgrades in the past five years, and a geographically diverse portfolio with significant market capture in economically vibrant hubs, Boardwalk REIT is positioned for on-going success. Our strong financial position and solid balance sheet, in combination with our proven business strategy, our accretive acquisitions and our focus on our people, our operations and our assets translate into growth and value for all stakeholders and make the Trust a proven and attractive investment. Boardwalk's key objective remains to provide Unitholders with a stable and growing cash flow distribution while building long-term value.

Improving Market Fundamentals Yield a Turn-around Year

We were pleased to see key market fundamentals improve over 2005, strengthening our position in the majority of our markets. After a formidable year for landlords marked by increased vacancy and incentives in 2004, the rental market substantially rebalanced in 2005, as we forecast in last year's annual report.

CONDO OWNERSHIP COSTS VS. RENTING

	Average Rent ($) for a Two-Bedroom Apartment *	Monthly Mortgage Payment ($) ** PIT	Difference ($)	Difference (%)
Calgary	806	1206	400	49.6
Edmonton	730	984	254	34.7
Halifax	747	1507	760	101.8
Hamilton	789	881	92	11.7
Kitchener	765	812	47	6.2
Montreal	594	1080	486	81.9
Ottawa	940	1958	1018	108.2
Regina	602	908	306	50.9
Saskatoon	580	923	343	59.1
Toronto	1052	1385	333	31.7
Vancouver	984	2004	1020	103.7
Victoria	799	1728	929	116.3
Windsor	776	838	62	7.9
Winnipeg	664	1244	580	87.3

* Privately initiated two-bedroom apartments, Oct 2004

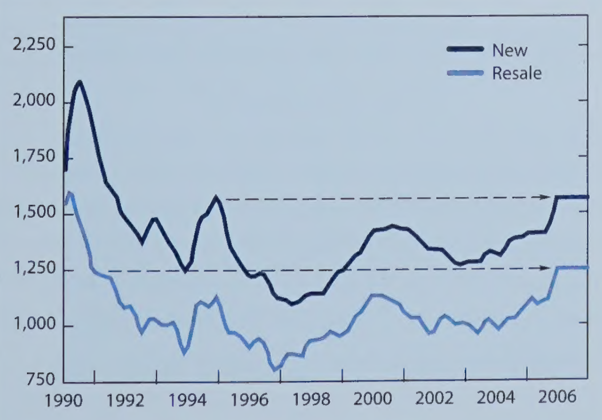
** Based on average price of new condominium apartments absorbed from 01/04 to 12/04. Down payment of 5%, 5 yr mortgage rate of 5.05 %, amortization of 25 yrs, taxes at 1% of value. Does not include other costs such as maintenance, cap ex, insurance, utilities, condo / management fees, etc.

<http://www.cmhc-schl.gc.ca/en/corp/nero/nere/2005/2005-12-15-0815.cfm>

Portfolio Highlights

- Overall portfolio occupancy rate for 2005 was 95.4%, up from 95.2% in 2004.
- For the fourth quarter of 2005, occupancy was 96.3%, up from 95.6% in the third quarter of 2005, and up from 95.8% in the fourth quarter of 2004.
- The average monthly rent for 2005 was $747 per rental unit, an increase of $6, or 1% from $741 in 2004.
- For the year, "same-property" rental revenue grew by 1.3% on a year-over-year basis, operating expenses increased by 5.3%, and NOI decreased by 0.8%.

Affordability of home ownership in many markets, particularly those in Alberta, continued to erode as mortgage rates and average home prices rose during 2005. As the gap between the cost of home ownership and rental housing increased, more renters remained in rental units rather than purchasing starter homes. According to the Canada Mortgage and Housing Corporation (CMHC), monthly rent for a two-bedroom apartment averaged $773.43 in Canada's 14 largest centres through 2005. In comparison, the cost of home ownership for a similar, two-bedroom condominium including principal, interest and taxes (PIT) averaged $1,247.00 in 2005 (assuming 5% down payment, five-year mortgage at 5.05%, 25-year amortization and taxes at 1% of value), a gap of $5,682.84 annually. When additional home ownership costs such as repairs and maintenance, insurance, utilities and condo fees (if applicable) are factored in, the gap between renting and home ownership further widens. In its 2005 analysis, CMHC reported that current home carrying costs will reach an 11-year high in 2006, though interest rates remain relatively low. As building material prices, labour costs and interest rates continue to increase, we expect the transition from renting to home-ownership will become even less affordable for many in the coming months.



Real Monthly Carrying Costs

In 2006, will reach highest point in over 11 years

Source: CMHC, CREA, CPI deflated by CMHC, 25% down payment

<www.boardwalkreit.com/industrylinks/CalgaryOutlook2006.pdf>

According to CMHC's Rental Market Survey <www.boardwalkreit.com/industrylinks/CMHC-Exec-Summary-Dec-16.pdf>, vacancy decreased significantly in our largest markets. Calgary's vacancy rate in 2005 was 1.6%, down from 4.3% in 2004. Edmonton's vacancy was also down, at 4.5% in 2005 compared with 5.4% in 2004. During the same time period, however, new home starts in Alberta rose, from 36,270 in 2004 to 40,000 in 2005. These seemingly opposite trends indicate strong net in-migration to the province, which is creating demand for both rental housing and home purchases. Total housing starts in many of our other markets, including Quebec, Ontario and Saskatchewan, were down in 2005, indicating decreased demand for new homes and a stabilizing in the rental market. New home starts are projected to drop still further in 2006 in Quebec and Ontario.

VACANCY RATES IN PRIVATELY INITIATED APARTMENT STRUCTURES OF THREE UNITS AND OVER IN METROPOLITAN AREAS

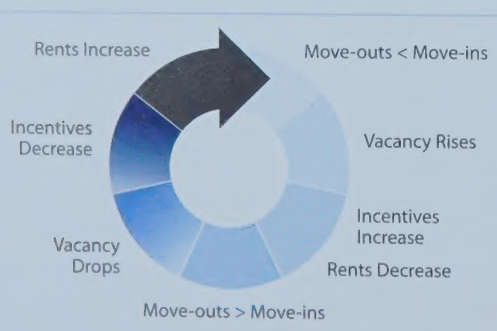
Region		% of total Boardwalk portfolio region represents	October 2004	October 2005
British Columbia	Vancouver	1.4	1.3	1.4
	Victoria	0.5	0.6	0.5
Prairie	Calgary	15.3	4.3	1.6
	Edmonton	31.1	5.3	4.5
	Regina	8.0	2.7	3.2
	Saskatoon	6.0	6.3	4.6
Ontario	London	6.8	3.7	4.2
	Windsor	5.0	8.8	10.3
Quebec	Gatineau	1.0	2.1	3.1
	Montréal	13.9	1.5	2.0
	Québec	4.5	1.1	1.4

<www.boardwalkreit.com/industrylinks/CMHC-Exec-Summary-Dec-16.pdf>

Vacancy remains stable in British Columbia and appears to be stabilizing in Quebec. In Ontario, vacancy increased in 2005, primarily due to a slowdown in industry, most notably the auto sector in Windsor. Overall, CMHC reports the average rental apartment vacancy rate in Canada's 28 major centres in 2005 remained relatively flat, increasing from 2.2% in 2004 to 2.7% in 2005. Boardwalk's portfolio concentration in economically vibrant markets such as Calgary and Edmonton offset this average, resulting in a positive year overall for Unitholders.

Economic projections indicate that the economy in Alberta, Boardwalk's largest market, will remain strong for the next decade, fuelled by on-going oil and gas activity. Escalating energy prices have produced a vigorous marketplace characterized by job creation, wage increases and significant in-migration. Though our expenses rose in correlation to these forces in Alberta in 2005, increased costs were somewhat offset by decreased vacancy and improved rental revenues. In Calgary, between 2004 and 2005, there was a year-over-year (YOY) increase of 19% in average home price. This dramatic increase, combined with net in-migration to Calgary of approximately 1,800 people per month, resulted in an exceptionally strong rental market that we expect to carry through 2006 and beyond.

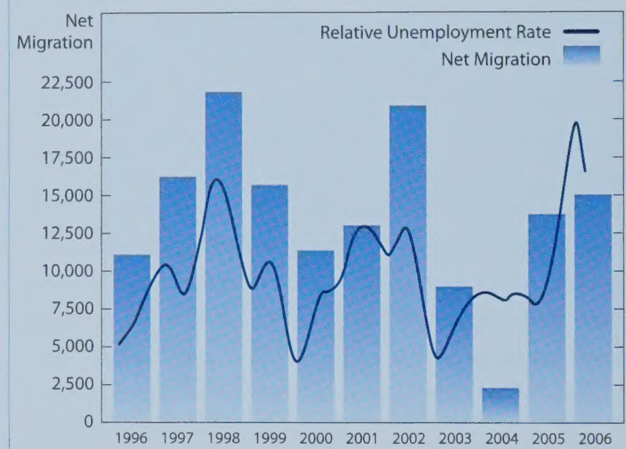
Our rental revenues are cyclical in nature. In the majority of our markets, we are currently in the optimum, recovery phase of the rental revenue cycle. As noted previously, as move-outs due to home ownership decreased in 2005, vacancy rates dropped substantially. This drop resulted in a decreased need for incentives to draw new Customers, and consequently, increased revenue. YOY vacancy in 2005 was down 20 basis points from 2004, to 4.65%. On average, a 200 basis point improvement in vacancy rates realized without additional incentives proves an internal rental revenue growth opportunity of approximately $11 million or $0.21 per unit annualized. The final phase of the rental revenue cycle is a recovery in rental rates, which we foresee in the upcoming quarters. A small, $25 monthly increase in rents across our portfolio adds approximately $0.19 per unit bottom line growth. In Alberta, rental revenue improved by 4.2% in the last year.



Rental Revenue Cycle

Benefiting from the Strength of Our Core Markets and New Acquisitions

The Province of Alberta, which accounts for over 50% of Boardwalk's rental portfolio, led the nation in economic growth again in 2005. Exceptionally positive market forces, led by high energy prices and a resulting boom in the oil and gas sector, again generated prosperity, growth and expansion across the entire provincial economy in 2005. According to CMHC, about $70 billion in oil sands spending is planned in the Northern Alberta region over the next decade. Capital expenditures in the Calgary and Edmonton economic regions are projected to exceed $10 billion over the same period. The robust economy, together with the debt-free provincial government and resulting "prosperity bonus cheques" for all Albertans, increases in provincial and municipal spending and tax reductions, has made Alberta the much envied "province of plenty". Over the last year, we have seen decreased unemployment, increased wages, and substantial in-migration, all of which will positively impact our already low vacancy.



Calgary Net Migration

Relative unemployment rate points to higher migration in 2006

Source: City of Calgary (May to April period), CMHC Forecast

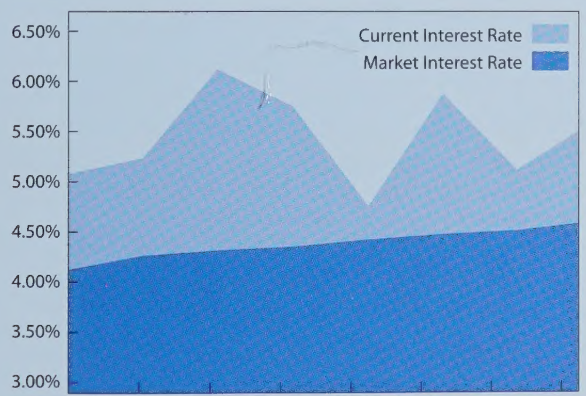
<www.boardwalkreit.com/industrylinks/CalgaryOutlook2006.pdf>

In 2005, the Trust closed on 1,325 rental units in a series of acquisitions spanning the Provinces of Alberta, British Columbia and Quebec. The acquisitions had a total purchase price of $115.2 million and, in aggregate, a going-in Cap Rate of 6.68%. The acquisitions in British Columbia (Surrey, Burnaby and Victoria), diversify our portfolio across three additional markets and into a fifth province. The acquisitions in Quebec strengthen our portfolio by increasing market capture in the traditionally strong rental market of Quebec City, where vacancy rates historically have been very low.

The acquisition market for multi-family rentals in Canada continues to be a highly competitive "seller's market" characterized by aggressive vendor expectations and compression in Cap Rates. We are currently in discussion on a number of properties; however, we cannot be certain of closing on any of these transactions. While market forces are making acquisitions more difficult, Cap Rate compression has had a positive effect on the overall valuation of our current holdings. Cap Rates, spurred by increased investor interest in Canadian multi-family real estate, are expected to decline still further, resulting in a substantial increase in our portfolio's value as we look forward.

Profiting from Financial Flexibility and Stability

The Trust strengthened its financial position through 2005 due to low interest rates, reduced capital expenditures and a commitment to healthy financial stewardship. The cost of interest on mortgage debt is one of the Trust's largest expense items. Therefore, refinancing our mortgage debt at lower interest rates would result in significant impact to our bottom line. Assuming we were to adjust our total mortgage debt to current interest rates, Boardwalk has the potential to save $16 million, or $0.30 annualized per unit.



	2006	2007	2008	2009	2010	2011	2012	Subsequent
(Total $000s)	$174,405	$252,005	$232,498	$206,010	$255,521	$107,075	$220,268	$97,180
(% of Total)	11%	16%	15%	13%	17%	7%	14%	7%

Mortgage Mark-to-Market

In January of 2005, the Trust entered the public unsecured debenture market for the first time. With this offering, we raised $120 million. The terms of this offering were very favourable to the Trust and the majority of proceeds were placed in accretive acquisitions soon after closing.

We remain focused on maintaining a strong and healthy balance sheet. At the end of 2005, Boardwalk's mortgage debt-to-total-market-capitalization was 63%, compared with 59.1% a year ago. Our interest coverage ratio, measured as EBITDA to interest expense excluding gains, declined to 1.87 times, compared with 1.97 in 2004.

In Summary and Looking Forward

As we have stated in the past, we remain cautiously optimistic regarding the outlook of our business as rental market fundamentals continue to improve. Of particular importance, the valuation of our assets continues to improve as Cap Rates drop. Our long-term, focused strategy has positioned Boardwalk for on-going success and further stakeholder value. This strategy was proven in 2005, since Boardwalk not only posted a strong overall return of 14.35% for our Unitholders, but also continued to build strength and sustainability for the future. We are proud to have achieved the majority of our objectives in 2005 and now set our sights on 2006 and beyond.

I would like to personally thank our Associates for their untiring effort and dedication. The Boardwalk team, including operations, head office and on-site Associates, continues to nimbly respond to the needs of our Customers and to create value in changing market conditions. The on-going strength of our Company can be directly attributed to their commitment to excellence. In particular, I would like to commend our Accounting and Information Technology teams on their efforts which resulted in Boardwalk receiving national recognition from the Canadian Institute of Chartered Accountants for the best corporate disclosure in our class.

I would also like to thank our Board of Trustees for their indispensable guidance; and our Unitholders, key financial community and operational partners for their continued support of the Trust. Finally, I would like to offer particular thanks to our Customers for trusting us with their homes, without whom Boardwalk could not exist.

We look forward to the challenges and opportunities of 2006 as we continue to pursue our strategy and develop ways to further unlock value for Unitholders.

Sincerely,

Sam Kolias,
President and CEO
February 21, 2005.

Table of Qualitative

Goals and Targets

As Boardwalk's Customers are the cornerstone of our business, our qualitative and quantitative business goals are directly linked to our Mission: "To serve and provide our Customers with quality rental communities". By implementing strategies consistent with our Mission, we believe we will:

- Produce higher, sustainable, long-term operating cash flows and a continued appreciation of our property values, resulting in enhanced value for our Unitholders;
- Engage our Associates with dependable, rewarding, and healthy employment;
- Favourably impact our communities and the greater global community;
- Not only remain the leading Canadian residential landlord, but geographically and internally diversify and improve through accretive acquisition and innovative work practices.

Our aim is to meet or exceed all the following targets. However, we recognize that this may or may not be possible in all cases, since outside market forces, such as those that affect our expenses or returns, can impact our ability to deliver the planned results. Our targets are intertwined so, while differing stakeholders may place priority on differing targets, we believe that actively pursuing all of our objectives will create positive results for all stakeholders. We believe in accountability and hope our targets and performance encourage discussion with our stakeholders.

Achieved, and aim to improve still further

Achieved

Partly achieved

Did not achieve

Customers: **To work proactively to ensure Boardwalk remains Canada's multi-family residential landlord of choice.**

2005 Targets	2005 Results	2006 Targets
Provide superior service to our Customers, responding to our Customers' concerns and needs with thoughtfulness, compassion and innovation.	Boardwalk spent $376,000.00 on on-call overtime wages for maintenance emergencies. The Boardwalk Customer Call Centre responded to 191,262 incoming calls. Boardwalk provided support to approximately 100 Customers in need in the form of subsidies and rental increase forgiveness.	Continually improve the Customer service we provide.
Foster long term relationships with our Customers.	Boardwalk is proud to provide homes to many long term Customers. In 2005, 37.5% Customers had lived in Boardwalk buildings for more than 2 years, and 17.4% Customers had lived in Boardwalk buildings for more than 5 years.	Develop innovative ways to further foster long term relationships with our Customers.
Respond to the changing priorities of our Customers.	Boardwalk developed Customer surveys to randomly distribute in our buildings in order to further understand the changing needs and priorities of our Customers. 2,442 Customers transferred to other Boardwalk buildings due to their changing needs and priorities.	Respond to the changing priorities of our Customers. Distribute, analyze and respond to Customer surveys.

Associates: Invest in our people to provide them with supportive, engaging, long-term employment.

2005 Targets	2005 Results	2006 Targets
Foster on-going, open, two-way dialogue with all Associates.	Associates' opinions and desires were communicated to Senior Management through regular "focus group" feedback sessions, anonymous surveys, and open dialogue with direct supervisors and Human Resources. Management communicated Corporate vision, plans and updates, and ensured open dialogue with Associates through quarterly newsletters, payroll mailouts, and annual luncheon meetings between Senior Management and all Associates.	Strive to cultivate a corporate culture of on-going, open, two-way dialogue between all levels of staff.
Respond to the changing priorities of our Associates, identifying and implementing Associate recommendations in order to create an engaged workforce.	In response to Associate surveys that indicated work-life balance is a key priority, Boardwalk implemented a Vacation Purchase Plan that allows Associates the option to "purchase" an additional week of vacation in exchange for 2% of their annual wage increase. In response to our Associates' desire to create a positive, team-oriented work environment, Boardwalk committed $50 per Associate towards social committee functions in 2005.	Constantly adjust internal policy and focuses to the changing priorities of our Associates, innovatively maintaining a balance between our Associates, Customers, Unitholders and Communities.
Provide a safe and respectful work environment for all Associates. Ensure that new and existing Boardwalk team members are effectively trained, oriented and supported.	The Health and Safety Committee engaged in on-going discussion and policy development to work towards an accident-free work environment. Boardwalk HR developed and implemented a 5-day, new Associate mentoring program in order to more fully engage new Associates in the Company. Boardwalk invested $191,000 in Associate training and development. Boardwalk invested in excess of $1,000,000 in comprehensive benefits for Associates.	Foster safe and respectful work practices and environments, and further develop the training, orientation and support offered to new Associates.
Attract, support, develop and recognize high-performing and innovative team members	Boardwalk distributed 13 Foundation of Excellence awards to Associates and 11 scholarships to children of Associates in 2005. Boardwalk continued on-going market research to ensure wages and benefits suit market trends.	Strive to constantly enhance our ability to attract, support, encourage and recognize high-performing and innovative team members.
Retain long-term Associates, decrease turn-over and develop succession planning policy and procedures.	Management focused on succession management and employee development processes to focus more fully on key talent and respond to critical shortages. Currently, more than 30% of our Associates have been with the Company for 5 or more years. Associate turnover was 42% in 2005.	Decrease turnover to 25-30% in 2006, retain long term Associates, and further develop succession planning policy and procedures.

Community: To positively impact the communities in which we operate as well as the greater global community.

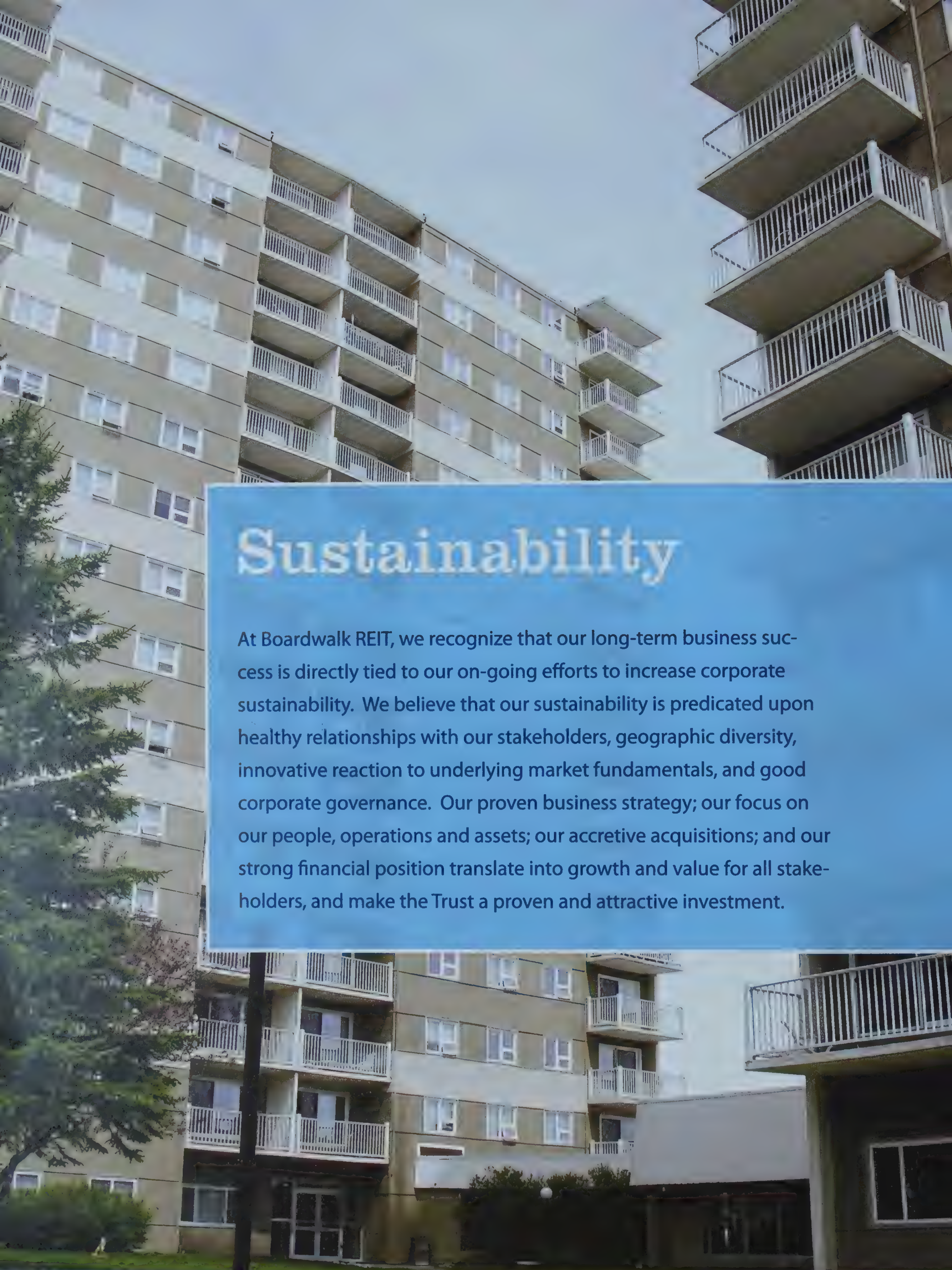
2005 Targets	2005 Results	2006 Targets
Foster collaboration with Government and Social Services agencies to assist underprivileged individuals in our communities.	Boardwalk provided rent-free meeting / office space to community agencies and community initiatives in three of our markets.	Expand and continue to focus on our Community Development Department in order to further foster collaboration with Government and Social Services.
Assist our Customers who are in financial need.	Boardwalk offered internal subsidies and rental increase forgiveness to approximately 100 Customers in need. This program is managed in accordance to need rather than corporate budgeting, and lost revenues are estimated in the range of $100,000 per year.	Continue to assist our Customers who are in financial need.
Contribute to our community.	In 2005, Management driven and corporately financed community initiatives included "Adopt a Family" Christmas Hampers, Habitat for Humanity building projects, 'Feed the Hungry" and "Thanksgiving Dinner" meals for homeless and underprivileged families, and a volunteer time match for Associates who choose to commit volunteer time to their community. Associate driven initiatives included volunteer work hours for many projects and organizations, several fundraising campaigns, and the creation of the "Rainbow of Hope" foundation: an internal charity designed to financially and emotionally support Associates dealing with difficult circumstances.	Focus on encouraging corporate and individual contributions and involvement in our communities. Implement Corporate Donation Matching Program to match charity donations made by Associates.

Corporate Governance: To provide fully transparent, on-going corporate information to all stakeholders, meeting or exceeding the guidelines set-out by the TSX regarding effective corporate governance.

2005 Targets	2005 Results	2006 Targets
Maintain independence of the Board.	Boardwalk currently has 7 Trustees, 6 of whom are independent. The Trustee Chairman is completely independent and not a member of Boardwalk management.	Maintain independence of the Board.
Maintain on-going dialogue with all unitholders in honest and transparent forums.	Boardwalk provides Webcasts of all quarterly conference calls to the general public. Senior management is committed to making themselves available to address specific unitholder questions. In 2005, Boardwalk was recognized for Best Corporate Disclosure in its Class by the Canadian Institute of Chartered Accountants.	Strive to continually improve transparency and open, honest dialogue with all Unitholders.
Ensure consistent, timely dissemination of corporate information.	Boardwalk provides webcasts of quarterly conference calls, and an up-to-date webpage with links to current and past corporate information. Boardwalk acts as the disseminator of industry information and summaries, including CMHC documents.	Further enhance procedures and systems for the consistent, timely dissemination of corporate and industry information.

Unitholders: **To provide a consistent, sustainable and attractive investment option focused on increasing return for shareholders.**

2005 Targets	2005 Results	2006 Targets
Realize Funds from Operations (FFO) from Rental Operations of $1.42 to $1.49.	Boardwalk realized FFO from Rental Operations of $1.41.	Realize FFO target of $1.37 to $1.46 (this target is slightly more conservative than our 2005 target due to increased natural gas and overall operating costs. Target assumes Alberta Natural Gas Rebate Program will be extended).
Achieve Distributable Income (DI) of $1.46 to $1.53.	Boardwalk provided DI of $1.46 (in the lower range of our target due to higher than expected natural gas prices and turnover costs.)	Achieve DI of $1.41 to $1.51. (again, the 2006 target is slightly more conservative than the 2005 target due to increased natural gas and overall operating costs).
Stabilized Buildings Net Operating Income (NOI) growth of 1.0% to 2.0%.	Stabilized Buildings NOI decreased 0.8%.	Stabilized Buildings NOI growth of 0%.
Increase sustainability by decreasing payout ratio of Distributable Income to 84%.	Decreased payout ratio to 86% of Distributable Income.	Target 86% payout ratio of Distributable income in 2006. Reduce payout to 80% by 2010.
Realize a total return on REIT units that outperforms the S&P / TSX Composite and the S&P / TSX Capped Real Estate Indices.	In 2005, Boardwalk Unitholders realized a total return of 14.85% on their REIT units, as opposed to posted returns of 24.13% for the S&P / TSX Composite and 23.42% for the S&P / TSX Capped Real Estate Indices.	Realize a total return on REIT units that outperforms the S&P / TSX Composite and the S&P / TSX Capped Real Estate Indices.
Acquire 1,000 to 2,000 new units in 2005.	Boardwalk acquired 1,325 new units in 2005, primarily concentrated in British Columbia.	Acquire 1,000 to 2,000 new units.
Expand our operations into a truly national platform over the longer term through judicious research and accretive acquisitions under existing parameters.	Entered the BC rental market in February, 2005, through the acquisition of quality assets in Victoria, Burnaby and Surrey, BC.	Expand our operations into a national platform over the longer term through judicious research and accretive acquisitions under existing parameters.
Reposition existing projects, resulting in increased operating returns and diversification of targeted Customers.	Added amenities and began renovations on an existing apartment complex to create "Boardwalk Retirement Community" at Brentview Towers in Calgary. As seniors' assisted living is in short supply in Calgary, this development is a value-added opportunity.	Reposition existing projects, resulting in increased operating returns and diversification of targeted Customers. Open Brentview Retirement Community for business in the Spring of 2006.



Sustainability

At Boardwalk REIT, we recognize that our long-term business success is directly tied to our on-going efforts to increase corporate sustainability. We believe that our sustainability is predicated upon healthy relationships with our stakeholders, geographic diversity, innovative reaction to underlying market fundamentals, and good corporate governance. Our proven business strategy; our focus on our people, operations and assets; our accretive acquisitions; and our strong financial position translate into growth and value for all stakeholders, and make the Trust a proven and attractive investment.

Fostering Sustainability Through:

Healthy Relationships with our Stakeholders

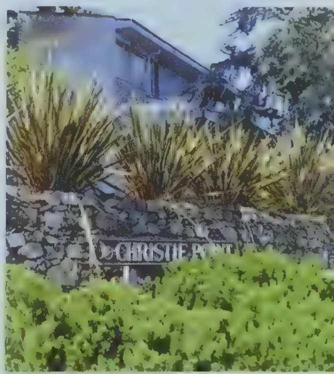
Our Unitholders

While we are passionate about providing quality homes for our Customers and positive employment for our Associates, our ultimate goal is to provide benefit to Unitholders.

Specifically, the Trust's key objectives are to provide Unitholders with stable and growing cash distributions and to increase the long-term value of its units through the effective management of its multi-family residential portfolio and the acquisition of additional accretive properties.

By maintaining sustainable relationships with our Customers, Associates, financial and supply partners, and our communities, Boardwalk can continue to meet Unitholder objectives. Looking forward, we will continue to build sustainable business practices in our management systems in order to ensure long-term, consistent investment results. In addition, we will also continue to provide our Unitholders with honest, transparent information in order to foster confidence and a strong relationship with the Trust.

Our Associates



Our corporate success can be directly attributed to the dedication, efforts and values of our Associates. Consequently, we recognize that corporate sustainability requires Boardwalk to actively engage, invest in and communicate with all levels of our team.

Our on-going effort to convey our corporate goals and strategy throughout every level of our corporation promotes Associate pride and engagement, helping Associates to recognize their significant contribution to the greater Boardwalk team. At every opportunity, we stress that overall corporate success is predicated upon the collective efforts of all of our Associates.

Honesty, transparency, integrity and respect both for one another and the law are fundamental values of our Company and our people. All Associates are expected to uphold our values

throughout their association with Boardwalk. These priorities are reinforced during training and orientation, at Associate meetings, through frequent surveys and in on-going dialogue between all staff. Our commitment to open and honest communications and workplace integrity fosters a corporate culture of responsibility and accountability.

Through open and on-going communication, our Associates keep management aware of their changing priorities and desires. In response, Boardwalk is able to invest in the specific needs of our Associates. Anonymous surveys conducted during 2005 indicate that our efforts to respond to our Associates' needs are reaping dividends, as the vast majority of our Associates reported feeling a high level of employment engagement.

Associates currently benefit from a competitive, comprehensive benefits plan. Additionally, in response to Associate feedback that clearly prioritized life-work balance, Boardwalk recently implemented a Vacation Purchase Plan. Associates have responded extremely positively to this plan.

Skilled and educated Associates are more effective in their positions than are inexperienced and untrained staff, because they demonstrate greater engagement, passion and commitment to the Company. In 2005, Boardwalk invested approximately $191,000 in training and professional development for Associates.

Boardwalk is committed to excellence. As such, we are committed to honouring and rewarding those Associates who consistently deliver superior results and who best exemplify Boardwalk values. In 2005, 13 Associates were presented with "Foundation of Excellence" awards, recognizing their commitment, work ethic and outstanding team attitudes. Boardwalk also recognized 374 Associates who have been with the Company for five or more years. Finally, Boardwalk presented 11 $10,000 President's Scholarships to Associates' children pursuing post-secondary education.

Our Customers

Boardwalk realizes that our long-term viability is built one Customer at a time. From the beginning, Boardwalk has been committed to being the multi-family residential landlord of choice for Canadians. This dedication to service and excellence transcends all of our operations. Our business is more than just providing walls and roofs, rather, we are in the business of providing the most personal of structures: people's homes.

Our Customers report that our 24-hour call centre and on-call maintenance are key factors in their on-going decision to make Boardwalk their home. In 2005, Boardwalk invested $376,000 in on-call overtime. Other factors include: the convenient locations; the high quality and cleanliness of our buildings; the friendly, on-site staff; and the care-free lifestyle. We pride ourselves on providing the best value in our class to our Customers.

In the past five years, Boardwalk has invested $201 million in capital upgrades back into the portfolio. We are confident that this continued investment will pay high dividends in Customer loyalty over the long-run. Investing in our properties is a critical component of the long-term sustainability of our Company, for we are conscientious in practising the old adage, "an ounce of prevention is worth a pound of cure".

Our Communities

In the long-term, Boardwalk can only be as healthy as the communities in which it exists. For that reason, Boardwalk places high priority on communities. Boardwalk demonstrates social responsibility in areas that are important to our stakeholders. Communities respect our long-term, healthy approach to business, our leadership and efforts in the community, and our volunteerism that grounds us to every region. All levels of our corporate structure are actively involved in the communities in which we live and work.

Because actions speak louder than words, we are committed to our Community:

Financially	Through Volunteerism	Through Leadership
In 2005, Boardwalk committed approximately $100,000 to subsidized housing and rental increase forgiveness for Customers in need.	Boardwalk Associates put together Christmas hampers for families in need, with financial assistance from the Company.	Boardwalk Associates committed substantial money and time to helping other Associates in need throughout the year. In certain centres, this initiative was formalized in 2005 through the creation of the "Rainbow of Hope Foundation"
Boardwalk formalized a commitment to introducing a charity donation matching program in 2006.	Boardwalk committed to fund and provide volunteers for the annual "Feed the Hungry" in Calgary and the "Thanksgiving Dinner" for under-privileged families in Edmonton.	We believe it is everyone's responsibility to make a small, lasting impact on the global community. For that reason, our Associates build and furnish several homes for under-privileged families in the Third World.
Boardwalk provides rent-free meeting and office space for community organizations including the "New Life Centre" in Calgary, the "Hope Compassionate Centre" in Edmonton and the "Community Living Centre" in London.	Boardwalk encourages Associates to volunteer in the community through a "Volunteer Match" program, which allows staff to take paid time off from work to volunteer. In 2005, many staff spent working hours engaged in Habitat for Humanity projects.	The Boardwalk Community Director spends many of his working hours supporting external community initiatives. In addition to involvement in several agencies and projects, he chairs the Acquisitions committee for the Calgary Homeless Foundation.

Fostering Sustainability Through:

Geographic Diversity

Portfolio Resiliency

While the Trust is currently benefiting substantially from the favourable economic climate in Alberta, we believe that our portfolio's diversification into several provinces is more essential to our on-going sustainability than is our current success in a single market. We believe that one of our Trust's most attractive attributes is its geographic spread across a number of dynamic markets. By diversifying into many markets, our resiliency to negative market forces is greatly increased as the impact of a poor economic climate in a single area is lessened. This minimization of risk through market equalization makes an investment in the Trust both more secure and more predictable.

Boardwalk is Canada's most geographically diversified multi-family owner and operator. Currently, Boardwalk boasts in excess of 33,000 apartments positioned in 17 markets across five provinces. This wide geographic diversification, carefully cultivated over more than two decades, positions Boardwalk as an extremely stable and attractive multi-family residential landlord investment.

Disciplined Growth

We are committed to the disciplined, accretive acquisition of quality assets. Our goal is not simply to grow for the sake of growth, but rather to acquire properties in a controlled, positive, sustainable manner in order to further strengthen our existing portfolio. Our Acquisitions department, in concert with Senior Management, thoroughly researches and analyzes all prospective acquisitions to ensure that each new property will be a portfolio asset rather than a liability over the long-term. Our pre-purchase research includes not only due diligence of the property itself, but also a thorough investigation of the surrounding area, as well as an analysis of key economic indicators and fundamentals in that market. Though a property may initially appear to be an attractive addition to our portfolio, we always ensure that each acquisition will benefit Unitholders in both the short and long terms, and that it will complement our overall portfolio. In addition, the Trust continually assesses current assets, disposing of lower quality properties with low cost/benefit ratio.

Continued Expansion

In February of 2005, we expanded into British Columbia with the purchase of 472 rental units in the Vancouver area and 161 units in Victoria. Over the past year, the flagship properties in Victoria, Surrey and Burnaby have introduced us to the active British Columbia rental market. Featuring waterfront access and spectacular surroundings, the 161 unit Christie Point Apartment community is a particular gem in our portfolio and a low-vacancy, low turnover asset. Both our Burnaby and Surrey properties are situated in prime, metropolitan / shopping areas and will enjoy on-going Customer attraction, particularly as the population in these areas increase due to Vancouver's successful Winter Olympics' bid and consequent economic growth.

Our three-property, British Columbia portfolio purchase also included a 376-unit property in Calgary. This property benefited from upgrading over the past year, which has resulted in significantly decreased vacancy in recent months. Our other Calgary purchase, a 70-unit walk-up, is located in a popular residential district and has boasted virtually zero vacancy throughout 2005.

Finally, we also increased our portfolio capture in the dynamic Quebec City rental market in 2005. We purchased two Charlesbourg area complexes which contain a total of 246 units, split between low rise and townhouse style suites.

Fostering Sustainability Through:

Nimble Response to Underlying Market Fundamentals

Boasting firm market intelligence and positioning, expert management, and a solid financial position, Boardwalk REIT has the foundations for current and sustainable success. Our market prominence, diversity and effective monitoring of early market indicators make us flexible and able to respond to changing market fundamentals, while minimizing risk and maximizing benefit for Unitholders. Our operations procedures and Information Technology capabilities allow Boardwalk to track all phone calls, showings and rentals, giving us exceptional insight into the changing rental environment. Though managed in aggregate, each property has the ability to independently respond to their specific turn-over, vacancy, and Customer retention issues. If one property or region suffers from increased vacancy and, therefore, increased rental incentive costs, other properties and regions can shore up the temporarily weaker asset. This gives us the ability to acquire and retain quality assets in markets that are temporarily less vibrant, setting us apart from smaller and less diversified landlords.

The underlying fundamentals averaged across our portfolio remain healthy. Positive demographic trends are expected to continue throughout the next decade, encouraging demand for multi-family rental properties. The new supply of rental product has been minimal over the last 15 years and remains limited across the country. CMHC forecasts that the currently low vacancy rates in most of our markets will continue. Finally, the housing market continues to experience high inflationary pressure. The following is a summary of market outlooks across the country:

Vancouver and the Lower Mainland: Canada's Most Stable Rental Market

Boardwalk's recent acquisitions in the British Columbia market, though limited to three properties at this point, act as an outrigger that further stabilizes the Trust's entire portfolio. With an overall occupancy level of 98.6%, Vancouver is Canada's most stable rental market according to the CMHC. Rising home prices, high migration, and the strengthening economy have all combined to widen the gap between renting and purchasing a home. With home affordability likely to become even more out-of-reach for many potential purchasers, the rental outlook for this market is expected to remain strong.

Alberta: Oil and Gas Continues to Drive the Economy

Our Edmonton and Calgary markets, making up in excess of 50% of our entire portfolio, continue to benefit from the booming Alberta economy. Unemployment is at a 30-year low. Net in-migration to the Province is expected to reach 40,000 in 2006, with approximately 30% of new Alberta residents moving to Calgary and 20% settling in Edmonton. Investment in Alberta's oilsands has exceeded $90 billion and will continue to have positive spin-off effects throughout the province. In comparison with other rental markets, Calgary witnessed the largest YOY improvement in overall occupancy levels in 2005, rising to 96.3% according to Scotia Capital Equity Research. According to this same research, Edmonton's occupancy also increased, up 80 basis points from 2004 to 95.5% in 2005. High energy costs and property taxes, exceptional net in-migration and a slight decrease in condo conversions are expected to keep the Albertan rental market outlook strong. However, we expect increasing operational costs to offset much of the revenue from increased occupancy, resulting in a strong, but relatively flat YOY performance.

Saskatchewan and Ontario: Our Smaller, Central Markets Offset Each Other.

We were pleased to see vacancy and turn-over decrease across our Saskatchewan properties. However, vacancy increased in our Ontario properties, indicating that Ontario experienced the weakest rental market fundamentals in Canada in 2005. A general decline in industry and the economy affected our statistics in Ontario, with Windsor suffering most markedly due to a significant slow-down in the auto sector.

Quebec: Increasing Rental Rates and Historically High Demand for Rental Housing Benefit Rental Market.

Our Quebec properties benefit from steady demand and relatively low vacancy. Quebec, which currently makes up 20% of our portfolio, has the highest rate of rental housing in Canada with 42% of all households living in rental units. In Montreal, our third largest market after Calgary and Edmonton, a full 50% of households choose rental housing. According to CMHC, Montreal and Quebec City vacancy rates were 2.0% and 1.4% respectively in 2005. Due to this low vacancy and high demand, average rental rates in Quebec City experienced the greatest increases in the country through the last year.

Fostering Sustainability Through:

Good Corporate Governance

To be sustainable over the long-term, a corporation must commit effort, time and resources to governance, transparency, and shareholder dialogue. As illustrated by the prestigious corporate disclosure awards presented to Boardwalk by the Canadian Institute of Chartered Accountants (CICA) and the Investor Relations (IR) Magazine of Canada in the last two years, the IR community considers our Company's corporate reporting and IR communications to be key strengths. Our reporting efforts reflect our commitment to transparency and draw upon best practices for publicly traded companies.

Our Board of Trustees follows a mandate described in their Statement of Corporate Governance Practices <www.boardwalkreit.com/CorporateGovernance/CG-2005-Practices.pdf> that explicitly defines the expectations and limits of both the Board and management. This comprehensive statement of our governance principles gives authority and autonomy to the Board through the articulation of key issues, including: specific functions of the Board, Board independence and integrity, selection and composition of the Board, and Board committees.

As a Trust listed on the Toronto Stock Exchange (TSX), Boardwalk either meets or exceeds the guidelines set-out by the TSX <www.tsx.com/en/pdf/NP58-201_CGGuidelines_Apr15-05.pdf> regarding effective corporate governance. The governance of our Trust is based on the mandate of our Board of Trustees, our Code of Business Conduct, as well as the guiding Mission, Vision and Values that all Associates and management are expected to uphold. These guiding principles, derived from the Golden Rule of "treating others as we would like to be treated", provide a framework for our Trustees and Associates as they deal with the often complex and sensitive issues that arise over the normal course of business.

As per the mandate, a majority of Trustees must be independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act with a view to the best interests of the Trust and its Unitholders. Currently, six of the seven Board members, including the Chairman, are independent. In addition to assuming responsibility for the stewardship of the Trust, Boardwalk's Board is specifically charged with:

- Reviewing, discussing and approving the Trust's strategic plan, which takes into account, among other things, the opportunities and risks of the business.
- Identifying the principal risks of the Trust's business, and ensuring implementation of appropriate systems to manage those risks. (Among other things, the Board reviews risk management policies and processes, including those concerning credit risk, market risk, liquidity risk and operational risk.)
- Reviewing the performance of the CEO and other senior executives of the Trust.
- Creating and maintaining the communications policy of the Trust, including:
  - approving the contents of major disclosure documents of the Trust.
  - reviewing policies and programs related to the image of the Trust and ensuring appropriate processes are in place for communicating with all stakeholders.
  - reviewing how the Trust communicates and interacts with analysts and the public to avoid selective disclosure.
- Managing integrity of internal control and management information systems.

In addition to its other accountabilities, the Board is responsible for two committees, the *Governance, Nominations and Compensation Committee* and the *Audit and Risk Management Committee*, each of which is composed solely of outside and independent Directors. The *Governance, Nominations and Compensation Committee* is charged with the responsibilities of identifying and evaluating candidates to fill Board vacancies, and assessing Board and committee effectiveness. The *Audit and Risk Management Committee* assists the Board in overseeing the integrity of the Board's financial statements, the external auditors' qualifications and independence, the performance of the Trust's external auditors, the adequacy and effectiveness of internal controls and compliance with legal and regulatory matters.

We are proud to have just completed our Corporate Disclosure Procedure Policy, which has been accepted by the Board and will be in practice immediately. This policy is the written expression of our long-term commitment and procedures for ensuring that all stakeholders have equal access to Trust information.

Portfolio Summary

Total Portfolio
(Cumulative Number of Units)

*May 31 year end

Number of Units
(Breakdown by Province)

As at February 15, 2006

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Calgary, AB				
Beltline Towers	Highrise	115	80,424	699
Boardwalk Heights	Highrise	202	160,894	797
Brentview Towers	Highrise	239	151,440	634
Cedar Court Gardens	Townhouse	65	58,560	901
Centre Point West	Highrise	123	110,611	899
Century Towers	Highrise	90	73,411	816
Chateau Apartments	Highrise	145	110,545	762
Elbow Towers	Highrise	158	108,280	685
Flintridge Place	Highrise	68	55,023	809
Glamorgan Manor	Garden	86	63,510	738
Heritage Gardens	Highrise	91	64,250	706
Hillside Estates	Garden	76	58,900	775
Lakeside Estates	Garden	89	77,732	873
McKinnon Court	Garden	48	36,540	761
McKinnon Manor	Garden	60	43,740	729
Northwest Pointe	Garden	150	102,750	685
Oakhill	Townhouse	240	236,040	984
O'Neil Towers	Highrise	187	131,281	702
Patrician Village	Garden	392	295,600	754
Pineridge Apartments	Garden	76	52,275	688
Prominence Place	Garden	75	55,920	746
Radisson I	Townhouse	124	108,269	873
Radisson II	Townhouse	124	108,015	871
Radisson III	Townhouse	118	124,379	1,054
Ridgeview Gardens	Townhouse	160	151,080	944
Royal Park Plaza	Highrise	86	66,137	769
Russet Court	Townhouse	206	213,264	1,035
Sarcee Trail Place	Highrise/ Midrise	376	301,720	802
Skygate Tower	Highrise	142	113,350	798
Spruce Ridge Estates	Garden	284	196,464	692
Travois Apartments	Garden	89	61,350	689
Varsity Place Apartments	Walk-up	70	47,090	673
Vista Gardens	Garden	100	121,040	1,210
Westwinds Village	Garden	180	137,815	766
Willow Park Gardens	Garden	66	44,563	675
		4,900	3,922,262	800
Edmonton, AB				
Alexander Plaza	Garden	252	203,740	808
Aspen Court	Garden	80	68,680	859
Boardwalk Arms A & B	Garden	78	64,340	825
Boardwalk Centre	Highrise	597	471,871	790
Boardwalk Village I II & III	Townhouse	255	258,150	1,012
Breton Manor	Garden	66	57,760	875
Briarwynd Court	Townhouse	172	144,896	842
Brookside Terrace	Garden	131	196,779	1,502
Cambrian Place	Garden	105	105,008	1,000
Camelot	Garden	64	54,625	854
Capital View Towers	Highrise	115	71,281	620

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB (continued)				
Carmen	Garden	64	54,625	854
Castle Court	Garden	89	93,950	1,056
Castleridge Estates	Townhouse	108	124,524	1,153
Cedarville	Garden	144	122,120	848
Christopher Arms	Garden	45	29,900	664
Corian Apartments	Garden	153	167,400	1,094
Deville Apartments	Highrise	66	47,700	723
Ermineskin Place	Highrise	226	181,788	804
Fairmont Village	Garden	424	362,184	854
Fontana	Highrise	62	40,820	658
Fort Garry House	Highrise	93	70,950	763
Galbraith House	Highrise	163	110,400	677
Garden Oaks	Garden	56	47,250	844
Granville	Townhouse	48	53,376	1,112
Greentree Village	Garden	192	156,000	813
Habitat Village	Townhouse	151	129,256	856
Imperial Tower	Highrise	138	112,050	812
Kew Place	Townhouse	108	105,776	979
Lansdowne Park	Highrise	62	48,473	782
Leewood Village	Garden	142	129,375	911
Lord Byron I II & III	Highrise	158	133,994	848
Lord Byron Townhomes	Townhouse	146	170,969	1,171
Lorelei House	Garden	78	65,870	844
Maple Gardens	Garden	181	163,840	905
Marlborough Manor	Garden	56	49,582	885
Maureen Manor	Highrise	91	64,918	713
Meadowside Estates	Garden	148	104,036	703
Meadowview Manor	Garden	348	284,490	818
Monterey Pointe	Garden	104	83,548	803
Morningside	Garden	220	165,562	753
Northridge Estates	Garden	180	103,270	574
Oak Tower	Highrise	70	51,852	741
Parkside Towers	Highrise	179	162,049	905
Parkview Estates	Townhouse	104	88,432	850
Pembroke Estates	Garden	198	198,360	1,002
Pinetree Village	Garden	142	106,740	752
Pointe West Townhouses	Townhouse	69	72,810	1,055
Primrose Lane Apartment	Garden	153	151,310	989
Prominence Place	Highrise	91	73,310	806
Redwood Court	Garden	116	107,680	928
Riverview Manor	Garden	81	62,092	767
Royal Heights	Highrise	74	41,550	561
Sandstone Pointe	Garden	81	83,800	1,035
Sir William Place	Garden	220	126,940	577
Solano House	Highrise	91	79,325	872
Southgate Tower	Highrise	170	153,385	902
Summerlea Place	Garden	39	43,297	1,110
Suncourt Place	Garden	62	55,144	889
Tamarack East and West	Townhouse	132	212,486	1,610
Terrace Gardens	Garden	114	101,980	895
Terrace Towers	Highrise	84	66,000	786

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Edmonton, AB (continued)				
The Palisades	Highrise	94	77,200	821
The Westmount	Highrise	133	124,825	939
Tower Hill Apartments	Highrise	82	46,360	565
Tower on the Hill	Highrise	100	85,008	850
Valley Ridge Tower	Highrise	49	30,546	623
Victorian Arms	Garden	96	91,524	953
Viking Arms	Highrise	240	257,410	1,073
Village Plaza	Townhouse	68	65,280	960
Warwick Apartments	Garden	60	49,092	818
West Edmonton Court	Garden	82	73,209	893
Westborough Court	Garden	60	50,250	838
Westbrook Estates	Garden	172	148,616	864
Westmoreland Apartments	Garden	56	45,865	819
Westpark Ridge	Garden	102	99,280	973
Westridge Estates B	Garden	91	56,950	626
Westridge Estates C	Garden	90	56,950	633
Westridge Manor	Townhouse	64	69,038	1,079
Westwinds of Summerlea	Garden	48	53,872	1,122
Willow Glen Apartments	Garden	88	71,800	816
Wimbledon	Highrise	165	117,216	710
		10,369	8,983,959	866
Fort McMurray, AB				
Birchwood Manor	Garden	24	18,120	755
Chanteclair	Garden	79	68,138	863
Edelweiss Terrace Apts	Garden	32	27,226	851
Heatherton	Garden	23	16,750	728
Hillside Manor	Garden	30	21,248	708
Mallard Arms	Garden	36	30,497	847
McMurray Manor	Garden	44	30,350	690
The Granada	Garden	44	35,775	813
The Valencia	Garden	40	33,850	846
		352	281,954	801
London, ON				
Abbey Estates	Townhouse	53	59,794	1,128
Castlegrove Estates	Highrise	144	126,420	878
Forest City Estates	Highrise	272	221,000	813
Heritage Square	Garden/ Highrise	359	270,828	754
Landmark Tower	Highrise	213	173,400	814
Maple Ridge On The Parc	Highrise	257	247,166	962
Meadow Crest Apts	Garden	162	110,835	684
Noel Meadows	Garden	105	72,600	691
Ridgewood Estates	Townhouse	29	31,020	1,070
Sandford Apts	Highrise	96	77,594	808
The Bristol	Highrise	138	109,059	790
Topping Lane Towers	Highrise	189	177,880	941
Villages of Hyde Park	Townhouse	60	57,850	964
Westmount Ridge	Highrise	179	131,700	736
		2,256	1,867,146	828

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Montreal, QC				
Blouin Portfolio	Highrise	322	276,324	858
Cote-Vertu (St. Laurent, QC)	Midrise	88	67,750	770
Domaine d'Iberville Apts (Longueuil, QC)	Highrise	720	560,880	779
Le Bienville (Longueuil, QC)	Walk-up	168	115,600	688
Les Jardins Bourassa	Midrise	178	85,874	482
Les Jardins Viva (Longueuil, QC)	Walk-up	112	91,000	813
Nuns' Island Portfolio	Garden/ Highrise/ Townhouse	3,100	3,075,140	992
Residence le Quatre Cent (Laval, QC)	Highrise	259	153,500	593
		4,947	4,426,068	897
Quebec City, QC				
Complexe Laudance (Sainte-Foy, QC)	Midrise	183	134,480	735
Domaine du Rocher (Levis, QC)	Walk-up	64	68,184	1,065
Le Laurier	Highrise	105	74,995	714
Les Appartements Du Verdier (Sainte-Foy, QC)	Garden	195	152,645	783
Les Jardins de Merici	Highrise	346	300,000	867
Place Charlesbourg	Midrise	108	82,624	765
Place du Parc	Highrise	111	81,746	736
Place Samuel de Champlain	Highrise	130	104,153	801
Chamonix	Townhouse	200	192,400	962
Sully	Townhouse	46	44,230	962
		1,488	1,235,457	830
Red Deer, AB				
Canyon Pointe Apartments	Garden	163	114,039	700
Cloverhill Terrace	Highrise	120	102,225	852
Inglewood Terrace	Garden	68	42,407	624
Riverbend Village Apartments	Garden	150	114,750	765
Saratoga	Highrise	48	53,762	1,120
Taylor Heights Apartments	Garden	140	103,512	739
Watson	Highrise	50	43,988	880
Westridge Estates	Townhouse	112	113,664	1,015
		851	688,347	809

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Regina, SK				
Ashok Portfolio	Garden	164	95,000	579
Boardwalk Estates	Garden	687	467,696	681
Boardwalk Manor	Garden	72	60,360	838
Centennial South	Townhouse	170	129,080	759
Centennial West	Garden	60	46,032	767
Eastside Estates	Townhouse	150	167,550	1,117
Evergreen Estates	Garden	150	125,660	838
Grace Manor	Townhouse	72	69,120	960
Greenbriar Apts	Garden	72	57,600	800
Lockwood Arms	Garden	96	69,000	719
Pines of Normanview	Townhouse	133	115,973	872
Qu'appelle Village I & II	Garden	154	133,200	865
Qu'appelle Village III	Garden	180	144,160	801
Southpointe Plaza	Highrise	140	117,560	840
The Meadows	Townhouse	52	57,824	1,112
Wascanna Park Estates	Townhouse	320	307,200	960
		2,672	2,163,015	810
Saskatoon, SK				
Carleton Towers	Highrise	158	155,138	982
Chancellor Gate	Garden	138	126,396	916
Dorchester Towers	Highrise	52	48,608	935
Heritage Pointe Estates	Townhouse	104	99,840	960
Lawson Village	Garden	96	75,441	786
Meadow Parc Estates	Townhouse	200	192,000	960
Palace Gate	Garden	206	142,525	692
Penthouse Apartments	Highrise	82	61,550	751
Regal Tower 1 & 2	Highrise	161	122,384	760
Reid Park Estates	Garden	179	128,700	719
St. Charles Place	Garden	156	123,000	788
St. James Place	Garden	140	105,750	755
Stonebridge Apartments	Garden	162	131,864	814
Stonebridge Townhomes I & II	Townhouse	100	135,486	1,355
Wildwood Ways B	Garden	54	43,961	814
		1,988	1,692,643	851
Vancouver, BC				
Horizon Towers (Burnaby, BC)	Highrise	206	139,160	676
Surrey Village (Surrey, BC)	Highrise	266	162,371	610
		472	301,531	639

Property Name	Building Type[1]	Number of Units	Net Rentable Square Footage	Average Unit Size
Windsor, ON				
Anchorage Apartments	Highrise	135	110,245	817
Anchorage on the Park	Townhouse	31	38,750	1,250
Askin Tower	Highrise	60	39,675	661
Buckingham Towers	Highrise	34	30,805	906
Caron Towers	Highrise	47	36,947	786
Empress Courts Apartments	Garden	40	28,250	706
Frances Tower Apartments	Highrise	53	43,906	828
Glenwood Apartments	Highrise	33	25,619	776
Janisse Tower	Highrise	75	45,000	600
Karita Tower	Highrise	41	28,950	706
Lauzon Towers	Highrise	178	137,784	774
Marine Court	Highrise	68	49,206	724
Randal Court	Garden	47	38,775	825
Regency Colonade	Highrise	133	113,205	851
Riverdale Manor	Townhouse	97	77,850	803
Rivershore Tower Apts	Highrise	96	63,300	659
Sandilands Tower	Highrise	47	38,775	825
Sandwich Tower	Highrise	66	40,650	616
Seaway Tower	Highrise	152	112,037	737
Sun Crest Tower	Highrise	58	43,100	743
Sun Ray Manor	Highrise	41	29,950	730
Tecumseh Eastview Apts. (Tecumseh, ON)	Highrise	98	71,606	731
University Towers	Highrise	50	36,100	722
		1,680	1,280,485	762
Other				
Boardwalk Park Estates 2 (Grande Prairie, AB)	Townhouse	32	30,210	944
Christie Point Apts. (Victoria, BC)	Townhouse/ Walk-up	161	155,405	965
Elk Valley Estates (Banff, AB)	Garden	76	53,340	702
Kings Tower (Kitchener, ON)	Highrise	226	171,100	757
Parc de la Montagne (Gatineau, QC)	Highrise	321	204,055	636
Parkview Portfolio (Grande Prairie, AB)	Garden	369	306,850	832
Tower Lane I & II (Airdrie, AB)	Garden	163	130,920	803
Westheights Place (Kitchener, ON)	Highrise	103	91,920	892
		1,451	1,143,800	788
	Total	33,426	27,986,667	837

MANAGEMENT'S DISCUSSION & ANALYSIS

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

The terms "Boardwalk", "the Trust", "we", "us" and "our" in the following Management's Discussion and Analysis ("MD&A") refer to Boardwalk Real Estate Investment Trust and its consolidated financial position and results of operations for the two years ended December 31, 2005 and 2004. Our MD&A should be read in conjunction with our audited consolidated financial statements for the two years ended December 31, 2005 and 2004 and all other publicly posted information on the Trust including the most recently filed Annual Information Form. All these documents are located on SEDAR (www.sedar.com). Historical results and percentage relationships contained in our annual consolidated financial statements and MD&A, including trends which might appear, should not be taken as indicative of our future operations.

Advisory: *Certain information included in this MD&A contains forward-looking statements within the meaning of applicable securities laws including, among others, statements concerning our 2006 objectives, our strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans" or "continue" or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management.*

These statements are not guarantees of future performance and are based on our estimates and assumptions that are subject to risks and uncertainties, including those described below in this MD&A under the heading Risks and Risk Management, which could cause our actual results to differ materially from the forward-looking statements contained in this MD&A. Those risks and uncertainties include risks associated with real property ownership, competition for real estate investments, financing and interest rates, governmental regulations, environmental matters as well as , unitholder liability. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include that the general economy remains stable, interest rates are relatively stable; acquisition capitalization rates are stable; competition for acquisitions of residential apartments remains intense; and equity and debt markets continue to provide access to capital. Although the forward-looking information contained in this MD&A is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

All forward-looking statements in this MD&A are qualified by these cautionary statements. Except as required by applicable law, Boardwalk undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

MD&A Contents

Declaration of Trust

The investment guidelines of the Trust are outlined in the Trust's DOT, a copy of which is available on request to all Unitholders. Further information of the DOT can also be located on page 33 of the AIF. Some of the main financial and operating guidelines as set out in the DOT are as follows:

INVESTMENT GUIDELINES

1. Acquire and operate multi-family residential property;
2. No single asset shall be acquired if the cost of this asset, net of debt secured by such asset, will exceed 15% of the Trust's "Gross Book Value" (as such term is defined in the DOT); and
3. Investments in joint ventures must include a minimum investment of 25%.

OPERATING GUIDELINES

1. Maximum debt capacity is 70% of Gross Book Value;
2. Maximum leverage on any specific asset may not be greater than 75% of the market value of noted asset;
3. No guaranteeing of third party debt outside its existing structure and potential joint venture partner structures;
4. Both structural and environmental third party surveys are required prior to the acquisition of a multi-family asset; and
5. Commitment to expending at least 8.5% of its gross consolidated annual rental revenues generated from properties that have been insured by Canada Mortgage and Housing ("CMHC") on site maintenance associates , repairs and maintenance as well as capital upgrades.

At December 31, 2005, the Trust was in material compliance with all investment and operating policies stipulated in the DOT. More details will be provided later in this document with respect to certain detailed calculations.

Business Overview

Boardwalk Real Estate Investment Trust ("Boardwalk REIT", "Boardwalk" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to a declaration of trust, dated January 9, 2004, as amended and restated on May 3, 2004 (the "Declaration of Trust" or "DOT"), under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of the operations of Boardwalk Equities Inc. (or the "Corporation").

On May 3, 2004, the Corporation sold all of its assets and undertakings to Boardwalk REIT. Boardwalk REIT units trade on the Toronto Stock Exchange under the symbol "BEI. UN". Boardwalk REIT's principal objectives are to provide its unitholders ("Unitholders") with monthly cash distributions, partially on a Canadian income tax-deferred basis, and to increase the value of its units through the effective management of its residential multi-family revenue producing properties and the acquisition of additional, accretive properties. As at the end of 2005, Boardwalk REIT owned and operated in excess of 260 properties, comprising 33,298 residential units, totaling approximately 28 million net rentable square feet. As of December 31, 2005, Boardwalk REIT's property portfolio was concentrated in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec. Subsequent to December 31, 2005, Boardwalk REIT has contracted to acquire an additional 322 residential units in the province of Quebec. Also subsequent to December 31, 2005, Boardwalk REIT disposed of two properties totaling 194 units located in Calgary, Alberta. This resulted in a property portfolio of 33,426 residential units as of February 16, 2006.

Boardwalk REIT is Canada's largest multi-family real estate investment trust as measured by assets and total market capitalization, and Canada's largest owner/operator of multi-family rental communities.

Boardwalk's purpose is to deliver to Unitholders stable and reliable cash distributions that will grow over the long term. To accomplish this, the Trust follows a strategy of owning, managing and operating multi-family residential units in Canada, and has developed an operating strategy, detailed later in this document, that primarily focuses on its people, especially its valued Associates and Customers.

MD&A Overview

This Management's Discussion and Analysis ("MD&A") focuses on key statistics from the consolidated financial statements and pertains to known risks and uncertainties relating to the real estate industry. This discussion should not be considered all-inclusive as it excludes changes that may occur in general economic, political, and environmental

conditions. Additionally, other elements may or may not occur which could affect the organization in the future. To ensure that the reader is obtaining the best overall perspective, this discussion should be read in conjunction with material contained in other parts of the Annual Report, the audited consolidated financial statements for the years ended December 31, 2005 and 2004 and the Annual Information Form ("AIF") dated February 16, 2006, along with all other publicly posted information on the Corporation and Boardwalk REIT. It is not our intent to reproduce information that is located in these other reported documents but rather to highlight some of the key points and refer you to these documents for more detailed information.

Values, Vision and Objectives

Boardwalk REIT is a fully integrated, Customer-oriented, multi-family residential real estate ownership and management organization. It is Canada's largest publicly traded owner/operator of multi-family residential communities and specializes in the acquisition, operation, value enhancement, and sale of multi-family residential properties within Canada. At December 31, 2005, Boardwalk REIT's property portfolio was located in the provinces of British Columbia, Alberta, Saskatchewan, Ontario and Quebec. Its head office is in Calgary, Alberta.

A COMMITMENT TO VALUE

Boardwalk REIT's Vision and business strategy are targeted on effectively meeting the needs of our Customers. It is our belief that this focus will result in the most significant long-term value creation for all our stakeholders. Our key stakeholders include our Associates, major financial and mortgage partners including Canada Mortgage and Housing Corporation ("CMHC"), strategic operational partners and Unitholders.

OUR VISION

Boardwalk REIT's Vision is to be Canada's leading provider of multi-family residential housing. We believe we will accomplish this through the continued careful cultivation of internal growth, combined with a targeted and disciplined external acquisition program.

Our employee Associates are expected to adhere to the following guiding principles:

WE WILL:

- maintain a team-oriented work environment where mutual respect, trust and honesty exists between all Associates and Customers;
- serve our Customers' need for quality, affordable, well-kept and carefree homes;
- maintain building exteriors and landscaping, thereby increasing the building's external visual appeal ;
- have well-kept common areas and ensure our properties are clean and well-maintained;
- maintain an equitable balance between the needs of our Customers, Associates, unit holders, community and families;
- nurture and promote a learning environment where our Associates' skills and capabilities grow with the needs and skils of both the Trust and our Customers, and accept that these needs and skills will constantly improve; and
- utilize the latest tools and technology designed to increase the operating efficiency of the Trust as a whole.

WE VALUE:

- **Integrity**
  We will be honest, respectful, and trusting in our dealings with others, appreciating their views and differences.
- **Teamwork**
  We will effectively work as a team, appreciating and benefiting from each other's unique talents and skills in an open environment while recognizing that the team's successes are our successes.
- **Customer Service**
  We will promptly respond to Customer concerns and needs with thoughtfulness, compassion and innovation. We will strive to develop proactive solutions though a support network and a positive service attitude.
- **Social Responsibility**
  We will contribute to our community and encourage our Associates to contribute in ways that reflect the Golden Rule of treating others in a way we would wish to be treated, balancing our needs with those of others.
- **Our Associates**
  We will provide a safe and respectful work environment that attracts, supports, develops, and recognizes high-performing and innovative team members.

We believe that by adhering to our Vision and Values, and implementing strategies consistent with these principles, Boardwalk REIT will produce higher sustainable operating cash flows and a continued appreciation of its property values. The result will be enhanced value for all our stakeholders.

Achieving this goal requires the full integration of our core strategies of focused investing, superior property management and the implementation and effective use of new technologies.

Our pro-active property asset management strategy includes the following:

- The acquisition of existing multi-family residential properties throughout Canada;
- The selective renovation and repositioning of existing projects resulting in increased operating returns;
- The continued enhancement of cash flow from existing properties;
- The stabilization of new projects to increase cash flows;
- The utilization of a focused sales discipline; and
- The reinvestment of released equity back into the portfolio to create additional value-added opportunities.

To support our overall operating strategy, it is necessary to:

- Ensure ample capital is available at all times for acquisitions and value-added enhancements;
- Appropriately allocate available capital to existing project enhancement and continuing new acquisitions;
- Utilize suitable levels of debt leverage;
- Determine and utilize the lowest cost of capital sources;
- Actively manage our exposure to interest rate and renewal risk;
- Optimize the use of National Housing Act ("NHA") insurance through CMHC to enhance leverage and access lower financing rates.

FINANCIAL REPORTING REVIEW

With the change in legal entity status from a corporation to a trust, we have reviewed the required financial reporting requirements. We have determined that Boardwalk REIT is a continuation of its predecessor, despite Boardwalk Equities Inc. and Boardwalk REIT having different legal forms, and should follow the continuity of interest method of accounting in accordance with section 3.2 of Proposed National Policy 41-201, entitled "Income Trusts and Other Indirect Offerings". Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004, and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date.

The financial information, discussion and analysis for the year ended December 31, 2005 reflect the activities of Boardwalk REIT. The comparative figures represent the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 and Boardwalk REIT for the period from May 3, 2004 to December 31, 2004. Note 4 to the audited consolidated financial statements for the year ended December 31, 2005 provides additional details on how the comparative figures for earnings and cash flows for Boardwalk REIT and its predecessor were combined.

NOTE REGARDING NON-GAAP FINANCIAL MEASURES

Boardwalk REIT assesses and measures segment operating results based on performance measures referred to as "Net Operating Income" ("NOI"); on a global basis the Trust assesses and measures based on performance measures referred to as "Funds From Operations" ("FFO"), Distributable Income ("DI") and EBITDA ("EBITDA"). NOI, FFO, DI and EBITDA are widely accepted supplemental measures on the performance of a Canadian real estate investment trust; however, they are not measures defined by Canadian generally accepted accounting principles ("GAAP"). The GAAP measurement most directly comparable to NOI, FFO, DI and EBITDA is net earnings. NOI FFO, DI and EBITDA should not be construed as an alternative to net earnings or cash flow from operating activities (determined in accordance with GAAP) as indicators of the Trust's performance. In addition, the Trust's calculation methodology for FFO, DI and EBITDA may differ from that of other real estate companies and trusts. DI is not assured and the Trust's future operating results may vary.

PERFORMANCE REVIEW

All Canadian investment trusts are governed by the rules set out in a declaration of trust. This document outlines both qualitative and quantitative guidelines for management to follow. One of the key financial guidelines in the Trust's DOT is "Distributable Income" ("DI"). Another key performance indicator, although not specifically referred to in the DOT, is FFO. Although both of these reported amounts are non-GAAP measures (unlike net earnings), both the real estate industry and management feel they are useful indicators of performance.

Historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values, instead, have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real

estate companies that use historical cost accounting to be insufficient by themselves. Thus, the Real Property Association of Canada ("RealPAC") feels the use of FFO as a supplemental measure of operating performance that excludes historical costs depreciation, among other items, from net income based on generally accepted accounting procedures is appropriate. The use of FFO, combined with the required presentations, has been fundamentally beneficial, improving the understanding of operating results of real estate companies and investment trusts among the investing public and making financial comparisons between such corporations and trusts more meaningful. We generally consider FFO to be a useful measure for reviewing our comparative operating and financial performance (although FFO should be reviewed in conjunction with net income, which remains the primary measure of performance), because by excluding real estate asset depreciation and amortization, as well as non-current taxes, FFO can help one compare the operating performance of a company's or trust's real estate between periods or as compared to different companies or trusts. We believe that FFO is the best measures of economic profitability for real estate investment trusts. Although not a standardized term, DI is the basis on which the Trust will determine the amount of distributions it will pay to Unitholders.

Boardwalk REIT generates revenues, cash flows and earnings from two separate sources - from rental operations and from the sale of real estate properties.

Boardwalk REIT's most consistent and largest source of income comes from its rental operations. Income from this source is derived from leasing individual apartment units to customers who have varying lease terms ranging from month-to-month to twelve-month leases.

Boardwalk REIT also generates additional income from the periodic sale of selective real estate properties. The sale of these properties is part of Boardwalk REIT's overall operating strategy whereby the equity generated through the sale is then utilized by Boardwalk REIT for the acquisition of new rental properties, to assist in its property value enhancement program or for the acquisition of Boardwalk REIT's trust units in the public market.

PERFORMANCE MEASURES

The computation of DI is outlined in the Trust's Declaration of Trust. The DOT also indicates that the Trust is required to pay out all taxable income to Unitholders in the form of monthly distributions. It is the current policy of the Trust to distribute 85% of DI on an annualized basis to its Unitholders. The Trust has indicated that, on an annualized basis, it will distribute $1.26 per outstanding unit (or $0.105 per trust unit on a monthly basis) for 2005. For the year ended December 31, 2005, a total of $67.0 million was declared in DI. The Trust has also implemented a distribution reinvestment plan (the "DRIP"). The essence of this plan is that the Unitholder has the option, in lieu of receiving monthly distributions, to receive trust units from treasury. The DRIP allows participants to accept all or part of their monthly distributions in additional units. To promote this plan, the Trust offers a 3% premium on the units distributed under the plan. This plan is relatively new and, to date, not a significant number of Unitholders have elected to participate in this option.

HOW DID WE DO?

At the beginning of the 2005 fiscal year, certain selective performance targets were set out for fiscal 2005. The following chart compares our forecasted performance to our actual results in fiscal 2005. Explanations for any significant variances are provided below the chart.

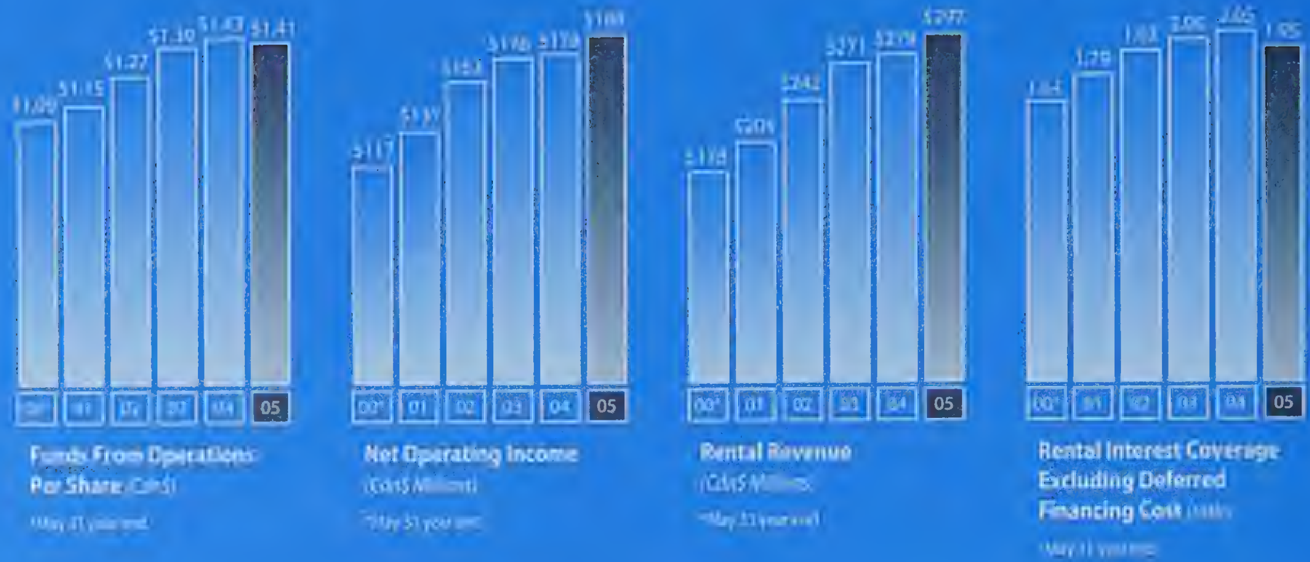
ACTUAL RESULTS	2005 Actuals	2005 Objectives Revised	2005 Objectives
FFO Rental Operations	$1.41	$1.40 to $1.45	$1.42 to $1.49
Distributable Income	$1.46	$1.45 to $1.50	$1.46 to $1.53
New Unit Acquisitions	1,325	1,000 to 2,000	1,000 to 2,000
Stabilized Building NOI	-0.8%	0.0%	1.0% to 2.0%

On a regular basis, we review the assumptions used in providing our full-year guidance to determine if any adjustment to these assumptions is required. During the third quarter of 2005, Boardwalk REIT narrowed its market guidance for FFO and distributable income for fiscal 2005. The revision was mainly the result of higher-than-expected operating costs

Both total actual FFO and distributable income for fiscal 2005 were in-line with the revised guidance given during the third quarter of fiscal 2005. The revised guidance was provided given the information we had available at the time, noting that both operating costs and utilities were anticipated to be higher than originally estimated. The following table documents, on a per unit basis, where the growth was derived for the Trust compared to the results posted for fiscal 2004.

FFO RECONCILIATION FROM 2004 TO 2005	12 months
FFO Opening - December 31, 2004	$ 1.43
NOI from stabilized properties	$ (0.03)
NOI from unstabilized properties	$ 0.23
Dilution effect on prior year's FFO	$ (0.01)
Financing costs	$ (0.13)
Administration and other	$ (0.08)
FFO Closing - December 31, 2005	$ 1.41

As noted, the additional income generated from our new property acquisitions was not sufficient to offset the



reported increase in operating and new debt financing costs. The reference above to "stabilized properties" refers to those multi-family units that have been owned by the Trust or its predecessor corporation, Boardwalk Equities Inc., for a period of at least 24 months. All properties owned by the Trust for a period of less than 24 months are referred to as "unstabilized properties".

In the table below, Boardwalk REIT provides a reconciliation of net earnings in accordance with GAAP to FFO and DI for the period:

In $000's, except per unit amounts	Dec-05	Dec-04	% Change
Net earnings (loss) from continuing operations	$ (47)	$ 4,611	
Adjustments			
Earnings from discontinued operations	$ 5,077	$ 168	
Deduct proceeds on disposition	$ (4,468)	$ -	
Future income taxes (recovery)	$ (493)	$ (1,669)	
Recovery of technology write-down	$ (739)	$ -	
Future income taxes (recovery) on discontinued operations	$ 110	$ (29)	
Amortization	$ 75,355	$ 72,439	
Funds from operations	$ 74,795	$ 75,520	-1.0%
Add deferred financing costs	$ 3,980	$ 3,138	
Deduct deferred financing costs amortization after May 3, 2004	$ (916)	$ (85)	
Add (deduct) net discounts (premiums) adjustment after May 2, 2004	$ 9	$ (91)	
Distributable income	$ 77,868	$ 78,482	-0.8%
Funds from operations - per unit	$ 1.41	$ 1.43	-1.4%
Distributable income - per unit	$ 1.46	$ 1.49	-2.0%

Overall, Boardwalk REIT earned $74.8 million in FFO (which excludes any gain or loss on sale of properties) for the year ended December 31, 2005, compared to $75.5 million for the same period in the prior year, representing a slight decrease of 1.0%. DI on a per unit basis for fiscal 2005 was $1.46 per unit, a decrease of approximately 2.0% from that reported in the prior year.

DISPOSITIONS

Boardwalk REIT disposed of a 186-unit property located in Edmonton, Alberta, for a sale price of $9.5 million. Cost of sales was approximately $8.0 million, resulting in a gain on disposition of $1.5 million. In addition, during the fourth quarter of 2005, Boardwalk REIT completed the sale of a commercial property located in Calgary, Alberta. The sales price of $10.5 million netted against cost of sales of $7.5 million resulted in a gain of $3.0 million on the disposition.

NEW UNIT ACQUISITIONS

We purchased 1,325 new units at various times during the first quarter of 2005 compared to our projection of between 1,000 and 2,000 new units to be acquired in fiscal 2005. The reported purchase price on these properties was $116.2 million, or $87.7 thousand per rental unit acquired.

STABILIZED PROPERTIES

"NOI", or Net Operating Income, includes all rental revenue generated at the rental property level, less related direct costs such as utilities, property taxes, insurance and on-site customer service and maintenance wages and salaries.

"Stabilized Properties" are defined as properties that have been owned by us for a 24-month period or greater.

Our Stabilized Properties reported a slight decline of 0.8% in NOI for fiscal 2005 compared to the same period in 2004. It was our expectation that stabilized properties NOI would increase between 0% and 1%. The reported results were lower than projected, mainly the result of increasing revenues being mitigated by increasing operating costs.

Financial Performance Summary

AT A GLANCE	2005	2004	% Change
Total Assets	$ 1,883,386	$ 1,809,139	4.1%
Total Rental Revenue	$ 297,478	$ 278,721	6.7%
Net Earnings	$ 5,030	$ 4,779	5.3%
Total Funds From Operations	$ 74,795	$ 75,520	-1.0%
Distributable Income	$ 77,868	$ 78,482	-0.8%
Net Earnings Per Unit	$ 0.09	$ 0.09	0.0%
Funds From Operations Per Unit	$ 1.41	$ 1.43	-1.4%
Distributable Income Per Unit	$ 1.46	$ 1.49	-2.0%

Total Assets were consistent with those reported in the prior year.

Total Rental Revenue increased by 6.7%, the result of increased rental rates enhanced by revenue generated by new acquisitions.

Net Earnings increased by approximately 5.3%, mainly the result of gains reported on the property sales.

FINANCIAL STATEMENT ANALYSIS

Consolidated Statements of Earnings

RENTAL OPERATIONS

Boardwalk REIT's rental revenue strategy focuses on maximizing overall rental revenues. In the determination of these overall revenues, we continuously look at the optimal balance between market rents, incentives offered and vacancy revenue losses. The application of this strategy is ongoing market-by-market analysis and adjustment, again with the focus of obtaining the optimal balance of these variables given existing market conditions.

The amounts reported below as rental revenue exclude interest revenue generated. Boardwalk REIT, from time to time, will generate interest revenue from interest charged on vendor mortgages receivable and from the investment of excess cash available. These excess funds are invested in low-risk, interest-bearing investments. The amount of interest revenue reported for fiscal 2005 was $0.6 million, consistent with the amount reported in fiscal 2004. Due to the insignificance of these amounts, interest revenue is included in rental income in the consolidated statements of earnings. However, the amounts referred to as rental revenues in the segmented operations exclude the interest revenue component. In addition, certain comparative figures for fiscal 2004 have been reclassified to conform with the current year's presentation, or as a result of accounting changes.

In 000's, except per unit amounts	12 Months Dec-05	12 Months Dec-04	Change
Rental revenue	$ 297,478	$ 278,721	6.7%
Expenses			
Operating expenses	$ 39,026	$ 35,266	10.7%
Utilities	$ 39,754	$ 37,078	7.2%
Utility rebate	$ (1,835)	$ (1,304)	40.7%
Property taxes	$ 32,514	$ 29,671	9.6%
	$ 109,459	$ 100,711	8.7%
Net operating income	$ 188,019	$ 178,010	5.6%
Operating margins	63%	64%	

Overall, Boardwalk REIT's rental operations reported strong results. The reported increase of 6.7% in rental revenue is mainly the effect of new revenue generated through the acquisition of apartment units throughout the year. The reader should note that the amounts reported above for fiscal 2004 have been reduced to remove revenues and any costs related to properties classified as discontinued operations in the fiscal year. The revenues and costs have been included in discontinued operations, consistent with the treatment required under Canadian GAAP. Total rental expenses increased by 8.7%, the combined result of increased costs from existing operations as well as the additional costs associated with new unit acquisitions. Overall, operating margins decreased slightly from the prior year, the result of increased cost pressures that we were unable to pass on to our customers during fiscal 2005.

During fiscal 2005, recurring utility rebates totaling $1.8 million were expected from the Government of Alberta compared to the $1.3 million estimated for fiscal 2004. The increase was the combined result of increased overall market prices for natural gas, which was somewhat offset by lower demand. Additionally, in fiscal 2005, the month of October was included in the natural gas rebate program. This inclusion was due to a change in the policy of the Alberta government, whereas October was excluded from the program under the 2004 program. It is estimated that this inclusion increased the reported rebate by approximately $300 thousand.

Boardwalk REIT closely monitors and individually manages the performance of each of its rental properties. For the reader's convenience, we have provided a summary of our operations on both a total portfolio and province-by-province basis.

Province	Rental Revenue	% of Total	Net Operating Income	% of Total	Number of Suites	% of Total
British Columbia	$ 5,567	2%	$ 4,032	2%	633	2%
Alberta	$ 155,683	52%	$ 103,317	55%	17,306	52%
Saskatchewan	$ 34,460	12%	$ 20,721	11%	4,660	14%
Ontario	$ 36,901	12%	$ 19,129	10%	4,265	13%
Quebec	$ 64,178	22%	$ 42,185	22%	6,434	19%
	$ 296,789	100%	$ 189,384	100%	33,298	100%

British Columbia Rental Operations

In 000's, except per unit amounts	12 Months 2005	12 Months 2004	% Change
Rental revenue	$ 5,567	–	–
Expenses			
Operating expenses	$ 573	–	–
Utilities	$ 551	–	–
Property taxes	$ 411	–	–
	$ 1,535	–	–
Net operating income	$ 4,032	–	–
Operating Margins	72%	–	–
Number of suites on Dec. 31	633		

Fiscal 2005 marked the entrance of the Trust into the province of British Columbia. During the year, we acquired a total of 633 units in the Vancouver and Victoria areas. These purchases were completed in January of 2005 and as such there are no comparative amounts reported for fiscal 2004.

Alberta Rental Operations

In 000's, except per unit amounts	12 Months 2005	12 Months 2004	% Change
Rental revenue	$ 155,683	$ 149,456	4.2%
Expenses			
Operating expenses	$ 20,088	$ 19,282	4.2%
Utilities	$ 20,991	$ 19,235	9.1%
Utility rebate	$ (1,837)	$ (1,304)	40.9%
Property taxes	$ 13,124	$ 12,905	1.7%
	$ 52,366	$ 50,118	4.5%
Net operating income	$ 103,317	$ 99,338	4.0%
Operating margins	66%	66%	
Number of suites at December 31	17,306	16,860	

Alberta operations for the year ended December 31, 2005 reported results slightly higher than those reported for the 2004 fiscal year. Rental revenue increased by 4.2%, mainly the result of lower vacancies and new units acquired in 2005. Total rental expenses were higher than those reported for fiscal 2004, due primarily to higher repair and maintenance resulting from flooding events in Calgary and Edmonton, higher bad debt expense especially in the Calgary market in the earlier part of 2005, as well as higher property taxes. The increase in property taxes can be attributable to the additions of new rental units in Calgary, somewhat offset by reductions on property tax valuation for specific properties in both Calgary and Edmonton. We are currently in a judicial review of the appeal board's findings on other selective property tax assessments in both Calgary and Edmonton. However, at this time we are not able to make reasonable estimates on the amount of a property tax rebate, if any, we may receive and, as such, no provision for this rebate has been made.

Over the past several years, Boardwalk's Alberta portfolio has been the beneficiary of the Alberta Provincial Government energy rebate program. Details of this program can be located at the Alberta provincial government web site (http://www.energy.gov.ab.ca/2853.asp). The increase in the rebate received in 2005 as compared to 2004 was mainly the result of the expansion of the program to include the natural gas consumed in October of 2005. October 2004 natural gas consumption was not included in the rebate program.

Overall, the Trust was able to maintain operating margins at 66% for both fiscal years.

Saskatchewan Rental Operations

In 000's, except per unit amounts	12 Months 2005	12 Months 2004	% Change
Rental revenue	$ 34,460	$ 34,275	0.5%
Expenses			
Operating expenses	$ 4,715	$ 4,226	11.6%
Utilities	$ 4,047	$ 4,277	-5.4%
Property taxes	$ 4,977	$ 4,440	12.1%
	$ 13,739	$ 12,943	6.2%
Net operating income	$ 20,721	$ 21,332	-2.9%
Operating margins	60%	62%	
Number of suites at Dec. 31	4660	4660	

Saskatchewan operations for 2005 reported results that were slightly lower than those reported in 2004. Rental revenue in 2005 was slightly higher than the amount posted in fiscal

2004, as a result of a slight decrease in overall vacancy in Saskatchewan, particularly in Saskatoon. Reported Net Operating Income decreased by 2.9%. The decrease was mainly the result of higher year-over-year operating costs and property taxes, somewhat offset by lower overall utility changes. The increase in property taxes is mainly the result of 2005 being the rotational year in Saskatchewan for property revaluation for municipal tax purposes. In Saskatchewan, this property tax revaluation occurs every fourth year.

Ontario Rental Operations

In 000's, except per unit amounts	12 Months 2005	12 Months 2004	% Change
Rental revenue	$ 36,901	$ 36,194	2.0%
Expenses			
Operating expenses	$ 4,906	$ 4,436	10.6%
Utilities	$ 6,278	$ 6,015	4.4%
Property taxes	$ 6,588	$ 6,120	7.6%
	$ 17,772	$ 16,571	7.2%
Net operating income	$ 19,129	$ 19,623	-2.5%
Operating margins	52%	54%	
Number of suites at Dec. 31	4,265	4,265	

Overall, Ontario's reported financial results in 2005 were lower than those posted during fiscal 2004. Rental revenue increased 2.0% compared to the same period in the prior year; however, the increase was not able to keep pace with the 7.2% overall increase in total rental expenses. The end result was a decrease of 2.5% in reported net operating income and a 2.5% decrease in reported operating margins. Operating costs were 10.6% higher, mainly the result of higher bad debt expense and higher repairs and maintenance incurred following fire damage to a number of units in this portfolio, where restoration costs were below our insurance deductible of $100 thousand dollars per claim. Utility costs were higher due to higher natural gas pricing offset somewhat by lower overall consumption, mainly in the fourth quarter of 2005, and property taxes were higher due to higher property tax assessments.

Quebec Rental Operations

In 000's, except per unit amounts	12 Months 2005	12 Months 2004	% Change
Rental revenue	$ 64,178	$ 58,811	9.1%
Expenses			
Operating expenses	$ 7,019	$ 6,229	12.7%
Utilities	$ 7,618	$ 7,839	-2.8%
Property taxes	$ 7,356	$ 6,174	19.1%
	$ 21,993	$ 20,242	8.7%
Net operating income	$ 42,185	$ 38,569	9.4%
Operating margins	66%	66%	
Number of suites at Dec. 31	6,434	6,188	

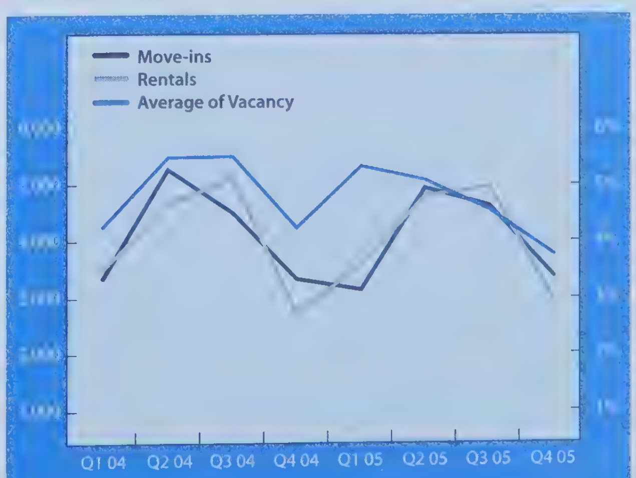
The majority of our external growth over the last few fiscal years has occured in the province of Quebec. Quebec operations reported strong gains in both revenue and net operating income for fiscal 2005. Rental revenue increased by 9.1% due to the combination of improving results on existing properties and the addition of new units in this market. Total rental expenses, accordingly, have increased by 8.7%, resulting in a Net Operating Income increase of 9.4%. Overall, the Trust was able to maintain operating margins in this province.

OPERATIONAL SENSITIVITIES

Given the nature of Boardwalk REIT's rental operations, certain sensitivities exist that may have a material impact on its overall operational outcome. The most significant of these sensitivity factors is vacancy.

Boardwalk REIT's Portfolio Vacancy		
City	2005	2004
Calgary	4.61%	5.42%
Edmonton	4.73%	5.66%
Gatineau	12.52%	9.68%
Kitchener	3.22%	4.43%
London	4.12%	3.37%
Montreal	3.49%	2.42%
Other Alberta	2.66%	4.18%
Quebec	5.40%	4.10%
Regina	5.10%	4.10%
Saskatoon	3.75%	6.13%
Vancouver	5.28%	–
Victoria	4.97%	–
Windsor	8.34%	6.49%
Total	4.65%	4.85%

Fiscal 2005 saw the portfolio's overall vacancy rate decrease to 4.65%, from 4.85% for the same period in the prior year. The decrease is mainly the result of increasing demand for rental properties, particularly in the province of Alberta.



Supply vs Demand & Resulting Impact on Reported Vacancy

The issue of demand and supply, as with other industries, is an important performance indicator for multi-family real estate. The above chart attempts to show the total move-outs (supply) compared to total move-ins (demand) and the resulting impact on reported vacancy. The cumulative impact of supply compared to demand is the primary driver in the reported vacancy rate.

Vacancy Loss and Incentives

Rental Incentives Offered vs Vacancy Loss *(Cdn$ Millions)*

Vacancy loss and rental incentives offered are strong indicators of current and future revenue performance. Depending on specific market conditions, the correct balance is important to maintain to best manage overall economic rental revenue. The above chart details, on a quarterly basis, rental incentives offered versus vacancy loss (measured on the left axis) and the impact of the two on overall rental revenue (measured on the right axis).

Vacancy Sensitivity

As with all real estate rental operators, Boardwalk REIT's financial performance is sensitive to vacancy rates. Based on the current reported market rents, a 1% annualized change in reported vacancy would impact overall rental revenue by approximately $3 million, or $.06 per unit on a diluted basis.

SAME-PROPERTY RESULTS

Boardwalk defines a same-property (or stabilized property) as one that has been owned by the Trust for a period of 24 months or more from the reporting date. It should be noted that all properties acquired as part of the REIT conversion in May of 2004 were grandfathered to their original acquisition date for the purpose of this metric. Boardwalk REIT's overall percentage of stabilized properties was 93% of its total rental unit portfolio as at December 31, 2005, or a total of 31,058 units. The following chart provides a regional breakdown on these properties for fiscal 2005 as compared to fiscal 2004.

	Units	Rev %	Cost %	NOI %	% of NOI
Calgary	4,887	2.3%	7.3%	0.3%	18.9%
Edmonton	10,369	1.3%	2.8%	0.5%	32.9%
Montreal	3,278	0.6%	7.6%	-2.8%	12.8%
Ontario	4,136	-0.3%	6.1%	-5.6%	10.4%
Other Alberta	1,604	5.2%	15.5%	0.9%	5.9%
Other Quebec	2,124	2.1%	0.0%	3.3%	7.4%
Saskatchewan	4,660	0.5%	6.1%	-2.7%	11.7%
	31,058	1.3%	5.3%	-0.8%	100.0%

Overall, rental revenue increased by 1.3% compared to the prior year. Rental expenses reported for the period increased by 5.3% from the same period in 2004, resulting in NOI decreasing by 0.8% compared to the same period last year. Of significant note is the decrease in reported NOI of 5.6% for Ontario. For the most part, this decrease related to a reported overall increase in vacancy in our Ontario portfolio. Boardwalk's Alberta portfolio continues to post strong operational results with all areas reporting strong revenue and overall net operating growth. We are continuing our legislative process of appealing recent increases to property values in various cities across the portfolio; however, at this time we are not able to reasonably estimate potential future savings, if any.

The 2005 reported results were favorably impacted by Alberta natural gas rebates in the amount totaling approximately $1.8 million as compared to approximately $1.3 million for the prior year. The increase is the result of an increase in the absolute rebate offered stemming from two factors: an increase in natural gas prices and the fact that in the fourth quarter of 2005, the Alberta provincial government announced it was expanding the program to include the month of October. The month of October 2004 was not included in the rebate program and, as such, we received no rebate for the usage in that month. For a more detailed analysis of the program, we refer you to the following Alberta provincial government website: http://www.energy.gov.ab.ca/2853.asp .

ESTIMATED LOSS-TO-LEASE

Boardwalk REIT's estimated "loss-to-lease", representing the difference between estimated market rents and actual occupied rents as of December 31, 2005 adjusted for current occupancy levels, totalled $4.0 million, or $0.07 per outstanding trust unit, on an annualized basis. The reader should note that estimated loss-to-lease is a non-GAAP measure and that reported market rents can be very seasonal and, as such, loss-to-lease amounts will vary from quarter to quarter. The significance of this change could materially affect Boardwalk REIT's estimated loss-to-lease amount. The importance of this estimate, however, is that it can be an indicator of future

rental performance assuming consistent economic conditions and trends.

INVESTING IN OUR PROPERTIES

Boardwalk is constantly investing back into its properties. A detailed analysis of this investment can be found later in the MD&A under the section titled, "Improvements to Revenue Producing Properties". The purpose of this section is to provide the reader with a consolidated view of exactly what the Trust spends on its real estate asset base. In total for 2005, the Trust spent $58.4 million on its portfolio in 2005 in the form of both expensed and capitalized items.

In 000's of $ except for per suite amounts	Dec-05	Per Suite	Dec-04	Per Suite
Repairs and Maintenance - expense	$ 13,812	$ 416	$ 11,626	$ 367
On-Site Maintance Personel - expense	$ 14,932	$ 449	$ 14,148	$ 447
	$ 28,744	$ 865	$ 25,774	$ 814
Invested Capital - cost	$ 29,676	$ 893	$ 30,492	$ 962
	$ 58,420	$ 1,758	$ 56,266	$ 1,776

Items reported as capital are determined as investments in asset that have a useful life in excess of the current reporting period and, as such, the related cost of these assets are depreciated over this useful life period. Real estate companies tend to look at this capital investment in two pools, the first being recurring capital and the second being value-enhancing capital investment. Although these definitions are far from being standardized in the real estate industry, the general consensus indicates that maintenance capital expenditures are those that are made to maintain the existing asset base, and are more recurring in nature, while value-enhancing ones relate to capitalized expenditures that add or increase the value of the underlying asset. Management estimates that for both fiscal 2004 and fiscal 2005, the amount allocated to maintenance capital was $13.3 million, or $400 per unit, with investment in value-enhancing expenditures totalling $17.2 million and $16.4 million, or $562 per unit and $493 per unit, respectively. On an overall basis, the Trust invested $58.4 million in fiscal 2005, or $1,758 per residential unit, on its real estate portfolio. The reader should note that the above financial analysis is consistent with the existing operating guidelines of the Trust as a whole as was discussed previously in this document.

FINANCING COSTS

Financing costs for fiscal 2005 of $82.0 million have increased slightly from $75.0 million reported for the prior year. The majority of the increase relates to interest charged on the $120 million unsecured debenture the Trust issued in January 2005. The majority of the proceeds from this offering were used to acquire the 1,325 units during the first quarter of fiscal 2005. A more detailed discussion on the issuance of this debenture will be provided later in this document. At December 31, 2005, the reported weighted average interest rate of 5.38% was down from the weighted average interest rate of 5.49% at December 31, 2004. Boardwalk REIT has been able to take advantage of the current low interest environment to refinance and renew certain mortgages, resulting in a lower overall weighted average mortgage rate. The average maturity of the mortgage portfolio is approximately four years.

Boardwalk REIT's acquisition strategy involves locating and acquiring accretive properties at prices that are below replacement value and are additive to the Trust's reported distributable income. Once acquired, these properties undergo various value enhancing upgrades as part of Boardwalk REIT's stabilization program. Boardwalk REIT utilizes external financing to leverage these properties up to, in accordance with the DOT, a maximum of 75% of the purchase price and, where appropriate, Boardwalk REIT adds additional financing for all upgrades performed.

Boardwalk REIT concentrates on multi-family residential real estate. It is, therefore, eligible to obtain government-backed insurance through the NHA, which is administered by CMHC. The benefits of purchasing this insurance are two-fold.

The *first* benefit of using CMHC insurance is that Boardwalk REIT can normally obtain lower interest rate spreads on its property financing as compared to other financing alternatives in either the residential or any other real estate class. Although the amount of the interest rate spreads will vary, they are currently between 40 and 60 basis points above the respective Government of Canada Bonds. This compares favourably to the spreads on conventional financing, which currently range from 120 to 175 basis points above such bonds.

The *second* benefit of the CMHC insurance relates to the lowering of Boardwalk REIT's overall renewal risk. Once insurance is obtained on the related mortgage, the insurance is transferable and follows the mortgage for the complete amortization period, typically between 25 and 40 years, depending on the type of asset being insured. With the insurance being transferable between approved lenders, it lowers the overall risk of Boardwalk REIT not being able to refinance the asset on maturity. The current cost of this insurance is 2.25% of the loan amount and is included as part of the loan proceeds. This cost is amortized over the useful life of the insurance, which equates to the amortization period of the respective mortgage.

At December 31, 2005, approximately 99% of Boardwalk REIT's mortgage debt was backed by this NHA insurance, with a weighted average amortization period of approximately 22 years.

INTEREST RATE SENSITIVITY

Although Boardwalk REIT manages its financing risk in a variety of ways, as discussed later in the MD&A, it is important for the reader to understand the potential impact to the Trust as a whole with respect to significant interest rate changes. Due to the size of Boardwalk's overall mortgage portfolio, it has been prudent to spread out the maturity of these mortgages over a number of years. In fiscal 2006, the Trust anticipates having approximately $174 million maturing with a weighted average rate of 5.04%. If we were to renew these mortgages today with a new 5-year term, the new rate would be approximately 4.61%, resulting in a 43 basis points cushion built into our current maturing rates.

PROPERTY SALES

Although not considered core operations, the selective sale of non-core and other properties continues to be a part of our overall operating strategy. These asset sales permit Boardwalk REIT to access additional equity, which is then reinvested in new acquisitions or utilized in our value-added capital improvement program.

Year Ended Dec. 31,	2005	2004
Cash received	$ 19,723	$ –
Cost of dispositions	309	–
Total proceeds	20,032	–
Net book value	15,564	–
Gain on dispositions	$ 4,468	$ –
Multi-family units sold (excl. commercial property)	186	–

During 2005, a project consisting of 186 units was sold for an average price of $51 thousand per residential unit. The sale price per residential unit is dependant on a number of factors, including the type and location of the building. In addition, the Trust completed the sale of a commercial property located in Calgary, Alberta.

ADMINISTRATION

Included in administration expenses are costs associated with Boardwalk REIT's centralized administrative functions, its regional distribution centres, as well as on-site marketing and service Associates. The amount reported for fiscal 2005 of $27.8 million was an increase of $3.9 million over the $23.9 million reported in fiscal 2004. The increase is the combined result of the additional rental units added in 2005, along with significant wage inflation. In addition, reported professional costs, including legal and accounting, were up from those reported in the prior year.

DEFERRED FINANCING COSTS AMORTIZATION

The amounts reported here relate primarily to the amortization of CMHC premiums, which are paid as part of first mortgage financing. Under current reporting requirements, if Boardwalk REIT replaces an existing mortgage with a new mortgage, all costs associated with the original mortgage, including the unamortized balance of the CMHC premium, are required to be charged to income in the period that this occurs. As a result, and due to the variable timing and strategy of each mortgage at maturity, the amounts reported will vary. In 2005, Boardwalk REIT continued to take advantage of CMHC's new product to increase its leverage rather than refinance the entire mortgage.

AMORTIZATION

Amortization expense is a charge taken against earnings to reflect the estimated depreciation that has occurred to our fixed assets during the reporting period in question. Although multi-family property assets have historically appreciated in value over time, under existing generally accepted accounting principles, amortization charges are required during each reporting period.

Boardwalk reviews its key amortization estimates on an ongoing basis and, if warranted, will adjust these estimates on a prospective basis.

The increase in the reported amortization is the result of the increase in the depreciable asset base, particularly the acquisition of new rental apartment complexes.

RECOVERY OF WRITE-DOWN ON TECHNOLOGY BUSINESS UNIT

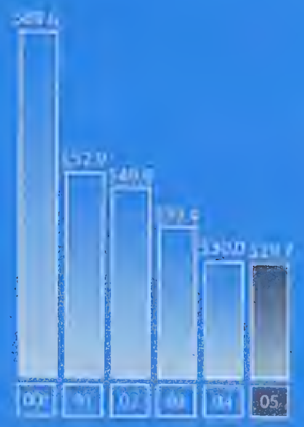
In fiscal 2001, the Trust's predecessor company, Boardwalk Equities Inc., took a charge against earnings of approximately $29 million related to the discontinuation of an endeavour referred to as "Suite Systems". At the time the provision was made,an internal estimate determined that, there was no estimated salvage value of any of the related assets given the telecommunications market at that time. Subsequent to this period, the Trust has been able to sell a portion of these items to arm's-length third parties. The recovery amount reported of $739 thousand on the financial statements relate to the net funds received to date on the sale of these items. The amount recovered in this section has no impact on reported FFO and DI.

FUTURE INCOME TAXES

During 2005, Boardwalk REIT reported future income taxes recovery of $0.5 million as compared to future income taxes of $1.7 million for fiscal 2004. Most of the future income taxes recovery for 2004 related to its predecessor for the period prior to May 3, 2004.

Total Assets

Average Acquisition Cost Per Unit



Capital Upgrades

Debt to Equity

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and, accordingly, is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not, however, extend to the certain corporate subsidiaries of Boardwalk REIT.

EARNINGS FROM DISCONTINUED OPERATIONS

During the year, the Trust sold one residential property located in Edmonton, Alberta and one commercial property located in Calgary, Alberta to arm's-length third parties. Although, as was previously noted, the selective selling of rental properties is part of its business strategy, under existing generally accepted accounting principles, the selling of this asset is treated as a disposal of a discontinued operations asset and, as such, is accounted for separately and is reported net of any applicable tax. The gains of $1.5 and $3.0 million on the residential and commercial property respectively, are not included when the Trust computes either FFO or DI and, therefore, have no impact on reported FFO and DI.

NET EARNINGS

For fiscal 2005, Boardwalk REIT reported net earnings of $5.0 million, or $0.09 per unit. This compares to reported net income for 2004 of $4.8 million, or $0.09 per unit.

Consolidated Statements of Cash Flows

OPERATING ACTIVITIES

Cash Flow from Operations

Boardwalk REIT prepares its financial statements in accordance with the recommendations of the Real Property Association of Canada ("RealPAC") and the Canadian Institute of Chartered Accountants ("CICA"). RealPAC has adopted a measurement of funds from operations ("FFO") to supplement net income as a measure of operating performance. This is considered to be a meaningful and useful measure of real estate operating performance. Boardwalk REIT's presentation of FFO is consistent with the definition provided by RealPAC. This measure is not necessarily indicative of cash that is available to fund cash needs and should not be considered an alternative to cash flow as a measure of liquidity. FFO does not represent cash flow from operations as defined by Canadian generally accepted accounting principles ("Canadian GAAP"). Boardwalk REIT considers FFO to be an appropriate measure of the performance of a publicly listed multi-family residential entity. In order to facilitate a clear understanding of the combined historical operating results of Boardwalk REIT, management feels FFO should be considered in conjunction with net earnings as presented in the audited consolidated financial statements. Boardwalk REIT computes FFO as follows:

In $000's, except per unit amounts	Dec-05	Dec-04	%
Net earnings from continuing operations	$ (47)	$ 4,611	
Adjustments			
Earnings from discontinued operations	$ 5,077	$ 168	
Deduct proceeds on disposition	$ (4,468)	$ –	
Future income taxes (recovery)	$ (493)	$ (1,669)	
Recovery of technology write-down	$ (739)	$ –	
Future income taxes (recovery) on discontinued operations	$ 110	$ (29)	
Amortization	$ 75,355	$ 72,439	
Funds from operations	$ 74,795	$ 75,520	-1.0%
Add deferred financing costs	$ 3,980	$ 3,138	
Deduct deferred financing costs amortization after May 3, 2004	$ (916)	$ (85)	
Add (deduct) net discounts (premiums) adjustment after May 2, 2004	$ 9	$ (91)	
Distributable income	$ 77,868	$ 78,482	-0.8%
Funds from operations - per unit	$ 1.41	$ 1.43	-1.4%
Distributable income - per unit	$ 1.46	$ 1.49	-2.0%

The reader is cautioned that Boardwalk REIT's calculation of FFO may be different from other real estate corporations or REITs and, as such, a straight comparison may not be warranted. For the fiscal period ended December 31, 2005, Boardwalk REIT reported total FFO of $74.8 million, or $1.41 per fully diluted unit. This represented a decrease of 1.0% compared to the $75.5 million, or $1.43 per fully diluted unit, reported for fiscal 2004. The decrease is the combined result of the decreased performance by Boardwalk REIT's existing apartment portfolio, partially mitigated by the performance of Boardwalk's newly acquired units.

FINANCING ACTIVITIES

Distributions

As was previously noted, Boardwalk distributes payments on a monthly basis to its Unitholders. These payments are referred to as distributions. The distinct nature and classification of these payments are unique to each trust and the components of these distributions may have differing tax treatments. For fiscal 2005, the Trust distributed a total of $67.0 million to its Unitholders compared to $42.0 million for fiscal 2004. The significant change in the reported amounts was the result of not converting to a trust until May of 2004. As such, Boardwalk's 2004 distributions are based on May to December distributions only, whereas the 2005 distributions are based on January to December distributions.

The reader should understand the nature of these payments as, in general, the majority of the quoted market yields are presumed to be a return on investment versus a return of investment. The following chart provides the reader with a breakup of the distributions paid for both 2005 and 2004, showing the portion that would be considered as income and the component considered as a return of capital. The following chart attempts to break up the reported distribution into reported accounting income, commonly referred to as return on capital, and the portion allocated to return of capital.

In $000's, except per unit amounts	2005	Per Unit	2004	Per Unit
Total Distributions Paid	$ 66,990	$ 1.26	$ 42,333	$ 0.80
Income	$ 5,030	$ 0.09	$ 4,779	$ 0.09
Return of Capital	$ 61,960	$ 1.17	$ 37,554	$ 0.71
	$ 66,990	$ 1.26	$ 42,333	$ 0.80

The reader should be cautioned that this reported information is based on the reported accounting information found elsewhere in this report, and will differ to amounts reported for tax purposes. Subsequent to the date of this report, the Trust will be posting its distribution allocation for tax purposes and these amounts may have a materially different allocation than what is reported above.

Financing of Revenue Producing Properties

During the year ended December 31, 2005, the financing for new acquisitions and the refinancing of existing properties totaled approximately $146.2 million versus $138.2 million for the year ended December 31, 2004. The variance is primarily the result of a larger number of mortgages maturing during fiscal 2005 as compared to the prior year.

During the financing and refinancing process, Boardwalk REIT was able to reduce the weighted average interest rate on its mortgage portfolio from 5.49% at December 31, 2004 to 5.38% at December 31, 2005.

INVESTING ACTIVITIES

Purchase of Revenue Producing Properties

Date Acquired	City	Building Name	Units
February 1, 2005	Calgary, AB	Varsity Place Apartments	70
February 1, 2005	Calgary, AB	Sarcee Trail Place	376
February 1, 2005	Vancouver (Burnaby), BC	Horizon Towers	206
February 1, 2005	Vancouver (Surray), BC	Surry Village	266
February 16, 2005	Victoria, BC	Christie Point Apartmetns	161
March 10, 2005	Quebec City, QC	Place Chamonix	200
March 10, 2005	Quebec City, QC	Place Sully	46
			1,325

During 2005, a total of 1,325 new rental units were acquired for a total purchase price of $116.2 million. Combined with an adjustment of $(0.2) million relating to the fair value adjustment to debt, the average cost was approximately $87.7

thousand per unit, with an average going-in capitalization rate of 6.68% on the purchase price. This compares to 917 apartment units acquired during fiscal 2004 with an average acquisition cost of approximately $67.5 thousand per unit.

Acquisitions

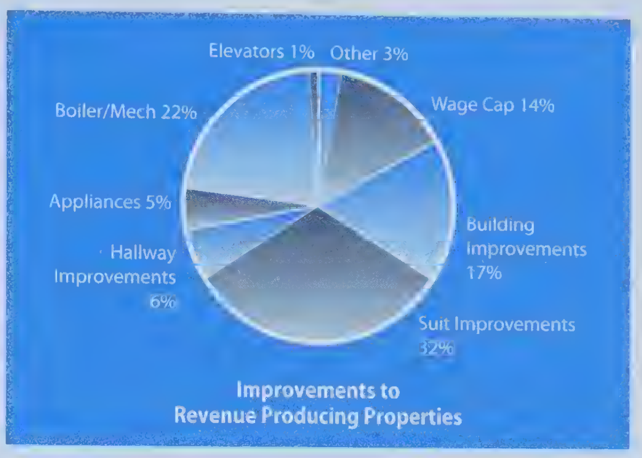
Year ended December 31,	2005	2004
Cash paid	$ 103,074	$ 40,212
Debt assumed	13,144	20,337
Total purchase price	116,218	60,549
Fair value adjustments to debt	(207)	1,391
Book value	$ 116,011	$ 61,940
Allocation of book value to revenue producing properties	$ 112,354	$ 59,459
Allocation of book value to other assets	3,657	2,481
	$ 116,011	$ 61,940
Multi-family units acquired	1,325	917

Due to the nature of multi-family residential real estate, the amount paid for apartment units may vary dramatically based on a number of parameters, including location, type of ownership (that is, free hold versus land lease) and type of construction. As required under Canadian GAAP, on acquisition an analysis is performed on the mortgage debt assumed. The analysis focuses on the interest rates of the debt assumed. If it is determined that the in-place rates are materially below or above market rates, an adjustment is made to the book cost of the recorded asset. This adjustment for fiscal 2005 was $(0.2) million as compared to $1.4 million for 2004. Also in accordance with Canadian GAAP under EIC-140, a portion of the purchase price in the amount of approximately $3.7 million has been allocated to the value of in-place operating leases. This compared to $2.5 million for fiscal 2004.

Improvements to Revenue Producing Properties

Boardwalk REIT (and its predecessor)'s value enhancement program creates long-term benefits for its properties. As a result, Boardwalk REIT capitalizes selected value enhancements, in conformity with accounting principles generally accepted in Canada under the category of improvements to revenue producing properties, and amortizes them accordingly. Boardwalk REIT capitalizes those expenditures related to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed. The Trust's policy with respect to capital expenditures is generally to capitalize expenditures that improve the value of the property, or extend the useful life of the component asset of the property. We track improvements to real estate in several major categories and subcategories.

The following chart notes the majors categories reported on. Each of these categories is depreciated over their estimated useful life.



The total amount of funds expended for renovations and improvements in 2005 was approximately $29.7 million, down from the $30.5 million expended for fiscal 2004. The decrease was expected as Boardwalk REIT begins to leverage off the approximately $300 million its predecessor spent upgrading its assets over the past five fiscal years. Included in the capitalized amounts was management's estimate with respect to the capitalization of on-site associate wages and salaries that assisted in the enhancement program, which totaled $4.0 million in fiscal 2005, representing approximately 14% of total capital expenditures. This compares to $4.3 million of capitalized wages for 2004, representing approximately 14% of total capital expenditures.

SUBSEQUENT EVENTS

Subsequent to December 31, 2005, Boardwalk REIT contracted to acquire 322 residential units in the province of Quebec from unrelated third parties for an aggregate purchase price of approximately $24.0 million. The acquisitions will be financed by the assumption of certain liabilities totaling $0.6 million and the balance through cash.

Subsequent to December 31, 2005, Boardwalk REIT unconditionally contracted for the sale of two properties, both located in Calgary, Alberta, for sale prices totaling $20.7 million. Both these transactions are scheduled to close in the first quarter of 2006.

Consolidated Balance Sheets

MORTGAGES AND ACCOUNTS RECEIVABLE

The majority of the amounts reported as mortgages and accounts receivable in 2005 consist of mortgage holdbacks, refundable mortgage fees, Alberta natural gas rebates and ordinary accounts receivable.

Capital Structure and Liquidity

One of Boardwalk REIT's objectives is to ensure, in advance, ample capital resources available for the execution of its business plan. Capital resources are defined as the combination of mortgage debt, unsecured debentures, unit capital equity, internally generated funds and cash on hand. Significant liquidity provides greater certainty as to execution, which in turn gives the Trust a competitive advantage in its negotiation and acquisition of additional investments. The selective conversion of lower yielding mature properties into cash for deployment into higher yielding investments is another source of liquidity.

The Trust's principal liquidity demands in the future are expected to be the repayment of maturing mortgage debt, interest on its unsecured debentures, ongoing operating costs, capital improvements acquisition of new rental units and the payment of declared distributions. The Trust (and its predecessor) has in the past, and may in the future, engage in acquiring its own units (or stock prior to May 3, 2004) from the public market as part of a normal course issuer bid or other available vehicles.

The Trust intends to meet its short-term liquidity requirements through net cash flows provided by operating activities, the financing or refinancing of real estate properties, the issuance of additional any unsecured debentures, and the use of existing cash reserves. If warranted, the Trust will issue units to the public.

DEBT PORTFOLIO

Boardwalk REIT's source of debt includes specific mortgages against assets and the recently completed issuance of unsecured debentures. More details of the unsecured debenture offering will be provided later in this document.

Boardwalk REIT's mortgage debt consists of specific charges against identifiable assets. As was previously discussed, to assist in managing its exposure and risk, the Trust participates in the NHA program administered by CMHC. At December 31, 2005, approximately 99% of the Trust's mortgages were insured under this program. The NHA program allows us to purchase insurance that essentially gives the mortgage debt the backing of the Government of Canada. The cost of the insurance will vary depending on the loan to value reported. In Boardwalk's case, it is customary to loan up to 75% of the fair market value of an individual asset and the related cost for this is 2.25% of the loan value. This cost of this insurance is amortized over the useful life of the insurance, which equates to the amortization period of the respective mortgage, ranging from 25 to 40 years. On term maturity, the debt can be transferred to any accredited lender. The addition of this insurance significantly lowers the Trust's mortgage renewal risk, while allowing the Trust to obtain rates at significant discounts to conventional debt.

Boardwalk REIT's financial position continues to be strong, with the overall mortgage level reported at 63% of Gross Book Value ("GBV"), after adjusting for entity value adjustments to both mortgage debt and real estate assets as dictated in the Trust's DOT.

GBV is a non-GAAP term that is defined in the Trust's DOT. In general, it is determined as at December 31, 2005 by taking total reported assets of the Trust, adding back accumulated amortization and making a one-time adjustment in the amount of approximately $231 million with an additional offset of $31 million to reported mortgages payable.

MORTGAGES PAYABLE AND DEBENTURES

Boardwalk REIT's long-term debt consists mainly of low-rate, fixed-term mortgage financing and unsecured debentures. Long-term debt consists of individual mortgages or debentures registered against the appropriate real estate assets. The maturity dates for these mortgages have been staggered to lower the overall interest rate risk.

Total mortgages payable including discontinued operations on December 31, 2005 was $1.42 billion, compared to $1.41 billion reported on December 31, 2004. In addition, Boardwalk has $120 million of unsecured debentures outstanding at December 31, 2005. The total long-term debt increase was mainly the result of a publicly-issued unsecured debenture which took place in January 2005. The majority of the proceeds of this offering were used to assist in the purchasing of the 1,325 units acquired by the Trust. The balance of the increase is the result of the continued growth of Boardwalk REIT, including the refinancing of existing debt and the assumption of debt on new acquisitions.

After a new acquisition and during the stabilization period, our strategy is to complete value-added upgrades as appropriate. The resulting increased property value then enables us to obtain additional mortgage proceeds to finance additional capital improvements or acquisitions.

During fiscal 2005, Boardwalk REIT (and its predecessor) refinanced certain maturing mortgages to higher levels, demonstrating the value creation that is occurring in its portfolio. We utilized these additional funds to assist in the financing of capital improvement projects.

Boardwalk REIT's overall weighted average interest rate has decreased from the prior year. The weighted average interest rate on December 31, 2005 was 5.38% compared to 5.49% on December 31, 2004.

To better maintain cost effectiveness and flexibility of capital, Boardwalk REIT continuously monitors short and long-term interest rates. If the environment warrants, we will convert short-term, floating rate debt to longer term, fixed rate mortgages.

Debt Maturity Chart

Year	Dec-05	%of total	Year Weighted Average
2006	$ 174,405	11%	5.04%
2007	$ 252,005	16%	5.21%
2008	$ 232,498	15%	6.08%
2009	$ 206,010	13%	5.73%
2010	$ 255,521	17%	4.74%
2011	$ 107,075	7%	5.85%
2012	$ 220,268	14%	5.10%
Subsequent	$ 97,180	7%	5.54%
	$ 1,544,962	100%	5.38%

UNSECURED DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately $119 million were used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract was settled when the debentures were issued for the settlement amount of $0.7 million. The settlement amount will be accounted for over the seven-year term of the unsecured debentures.

CREDIT RATING

Dominion Bond Rating Services ("DBRS") provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). DBRS has provided Boardwalk with a credit rating of BBB with a stable trend relating to the unsecured debentures. A credit rating in the BBB category is generally an indication of adequate credit and investment quality as defined by DBRS. A rating outlook, expressed as a positive, stable or negative trend, provides an opinion regarding the likely direction of any medium term rating actions. The credit rating accorded to the debentures is not a recommendation to purchase, hold or sell the debentures. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by DBRS at any time. It is the Trust's intention to maintain and strengthen this rating.

STABILITY RATING

DBRS provides stability ratings for real estate investment trusts. DBRS has assigned a stability rating of STA-3 (high) to the Trust. This stability rating is based on a rating scale developed by DBRS that provides an indication of both the stability and sustainability of a real estate investment trust's distributions per unit. Rating categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into high, middle and low to indicate where within the ratings category they fall. Ratings take into consideration seven main factors of (i) operating and industry characteristics, (ii) asset quality, (iii) financial flexibility, (iv) diversification, (v) size and market position, (vi) sponsorship/governance, and (vii) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potential negative factors. Income funds rated STA-3 (high) are considered by DBRS to be investment quality and have good stability and sustainability of distributions per unit. A stability rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal by DBRS at any time.

DEBT TO ADJUSTED GROSS BOOK VALUE

Boardwalk's Declaration of Trust "DOT" sets out the limit the Trust is able lever its existing assets. The set limit is based on a maximum of 70% of Adjusted Gross Book Value, as referred in the means, at any time, the book value of the assets of the Trust and its subsidiaries, shown on the Trust's then most recent publicly-issued consolidated balance sheet, plus the amount of accumulated depreciation and amortization in respect of its properties, including accumulated amortization of the fair value of tangible and intangible assets recorded on the acquisition of properties, shown thereon or in the notes thereto, plus a one time adjustment to the carrying value of the Trust's assets determined at the time of the Acquisition and Arrangement (this adjustment was based on the difference between the Entity Value and the net book value of the Trust and its Subsidiaries and is equal to $231 million). The chart on the following page documents the company's existing leverage:

In $000's	
Total assets	$ 1,883,386
Amortization	$ 371,446
Exchange value bump	$ 231,460
	$ 2,486,292
Mortgages payable	$ 1,424,962
Unsecured debentures	$ 120,000
	$ 1,544,962
Adjustment to debt	$ 30,999
	$ 1,575,961
Debt-to-GBV	63%

With a DOT limit of 70% on Adjusted Debt-to-Gross Book Value, Boardwalk REIT has the ability to add additional leverage on its existing portfolio to assist with future investment in new assets.

Currently, the Trust has an operating facility with a major financial institution. This facility is secured by a pledge of a group of specific assets. The amount available through the demand facility varies with the value of pledged assets, with the maximum limit not to exceed $110 million. This facility carries an interest rate varying from prime to prime plus 1.0% per annum depending on the facility drawn, and has no fixed repayment terms. The facility is subject to annual review by the financial institution. Currently, there is $95 million (2004 - $105 million) available to the Trust under this facility.

EQUITY

Boardwalk has an equity market capitalization of approximately $1.13 billion based on a unit closing price of $21.19 on the Toronto Stock Exchange on December 31, 2005.

Risk and Risk Management

Boardwalk REIT, like most real estate rental entities, is exposed to a variety of risk areas. These areas are categorized between general and specific risks. General risks are the risks associated with general conditions in the real estate sector, and consist mainly of commonly exposed risks that affect the real estate industry. Specific risks focus more on risks uniquely identified with the Trust, such as credit, market, liquidity and operational risks. The following will address each of these risks. In addition, this section should be read in conjunction with the Trust's AIF dated February 16, 2006, with reference to page 46 where additional risks and their related management are also noted.

GENERAL RISKS

Real Estate Industry Risk: Real estate investments are generally subject to varying degrees of risk depending on the nature of the property. These risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations (such as new or revised residential tenant legislation), the attractiveness of the properties to tenants, competition from others with available space and the ability of the owner to provide adequate maintenance at an economic cost. Currently, we operate in Canada, in the provinces of Alberta, Saskatchewan, Ontario and Quebec. Neither of Alberta and Saskatchewan is subject to rent control legislation; however, under Alberta legislation a landlord is only entitled to increase rents once every six months. A more detailed discussion on rent controls will follow in a latter section.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to service these expenses. Boardwalk REIT's properties are subject to mortgages, which require significant debt service payments. If the Trust were unable or unwilling to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or of sale. Real estate is relatively illiquid. Such illiquidity will tend to limit our ability to vary its portfolio promptly in response to changing economic or investment conditions. In addition, financial difficulties of other property owners resulting in distress sales may depress real estate values in the markets in which the Trust operates.

Multi-Family Residential Sector Risk: Income producing properties generate income through rent payments made by tenants of the properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to us than the existing lease. To mitigate this risk, the Trust does not have any one or small group of significant tenants. Each operating lease signed is for a period of twelve months or less. The Trust is dependent on leasing markets to ensure vacant residential space is leased, expiring leases are renewed and new tenants are found to fill vacancies. While it is not expected that markets will significantly change in the near future, a disruption in the economy could have a significant impact on how much space tenants will lease and the rental rates paid by tenants. This would affect the income produced by our properties as a result of downward pressure on rents.

Environmental Risks: As an owner and manager of real property, Boardwalk REIT is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. These laws could saddle us with liability for the costs of removal and remediation of certain hazardous sub-

stances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Boardwalk's ability to sell its real estate, or to borrow using real estate as collateral, and could potentially also result in claims or other proceedings against Boardwalk REIT. Boardwalk REIT is not aware of any material non-compliance with environmental laws at any of its properties. The Trust is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. Boardwalk REIT has formal policies and procedures to review and monitor environmental exposure. The Trust has made, and will continue to make, the necessary capital expenditures for compliance with environmental laws and regulations. Environmental laws and regulations can change rapidly and may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on our business, financial condition or results of operation.

Ground Lease Risk: Five of our properties, located in Calgary, Edmonton, and three in Montreal, are subject to long-term ground leases and similar arrangements in which the underlying land is owned by a third party and leased to the Trust. Under the terms of a typical ground lease, the lessee must pay rent for the use of the land and is generally responsible for all costs and expenses associated with the building and improvements. Unless the lease term is extended, the land together with all improvements made will revert to the owner of the land upon the expiration of the lease term. These leases are set to expire between 2028 and 2096. The ground lease for the largest Montreal property, known as the Nun's Island portfolio is also subjected to a rent revision clause, which commences on December 1, 2008. It is phased in on a property-by-property basis through to 2015, and is based on 75% of the land value in its current use. After that revision, the land rent will remain constant thereafter through to 2064. An event of default by us under the terms of a ground lease could also result in a loss of the property subject to such ground lease should the default not be rectified in a reasonable period of time. The Trust is not aware of any default under the terms of the ground leases.

Competition Risk: Each segment of the real estate business is competitive. Numerous other residential developers and apartment owners, compete in seeking tenants. Although it is our strategy to own multi-family properties in premier locations in each market in which it operates, some of the apartments of our competitors may be newer, better located or better capitalized. The existence of alternative housing could have a material adverse effect on our ability to lease space in its properties and on the rents charged or concessions granted, and could adversely affect Boardwalk REIT's revenues and its ability to meet its obligations.

General Uninsured Losses: Boardwalk REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as war or environmental contamination), which are either uninsurable or not economically insurable. Boardwalk REIT currently has insurance for earthquake risks, subject to certain policy limits, deductibles and self- insurance arrangements, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, Boardwalk REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, and would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Fluctuations of Cash Distributions: Although Boardwalk REIT intends to distribute amounts in line with its distributable income ("DI"), the actual amount of DI distributed in respect of the REIT Units will depend upon numerous factors, including, but not limited to, the amount of principal repayments, tenant allowances, leasing commissions, capital expenditures and REIT Unit redemptions and other factors that may be beyond the control of Boardwalk REIT. The distribution policy of Boardwalk REIT is established by the Trustees and is subject to change at the discretion of the Trustees. The recourse of Unitholders who disagree with any change in policy is limited and could require such Unitholders to seek to replace the Trustees. DI may exceed actual cash available to Boardwalk REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures, and redemption of REIT Units, if any. Boardwalk REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Boardwalk REIT may temporarily fund such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

SPECIFIC RISKS

Credit Risk is the risk of loss due to failure of a contracted Customer to fulfill the obligation of required payments.

For us, the key credit risk involves the possibility that our Customers will be unable or unwilling to fulfill their lease term commitments. Due to the very nature of the multi- family business credit risk is not deemed to be very

high. The Trust currently has approximately 33,300 rental apartment units each of which has a separate legal lease. The result of this is that we are not unduly reliant on any one customer or lease. To further mitigate this risk, Boardwalk REIT continues to diversify its portfolio to various major centers across Canada. Further, each of our rental units has its own individual lease agreement, thus Boardwalk REIT has no material financial exposure to any particular Customer or group of Customers. The Trust continues to utilize extensive screening processes for all potential Customers including, but not limited to, detailed credit checks.

Market Risk is the risk that the Trust could be adversely affected due to market changes in product supply, interest rates and regional rent controls.

Our principal exposures to market risk are in the areas of new multi-family housing supply, changes to rent controls, utility price increases, property tax increases, higher interest rates and mortgage renewal risk.

Supply Risk is the risk that the Trust would be negatively affected by the new supply of, and demand for, multi-family residential units in its major market areas.

Key drivers of demand include employment levels, population growth, demographic trends and consumer confidence. Any significant amount of new construction will typically result in an imbalance in supply and cause downward price pressure on rents. No signs of significant new rental construction are currently evident in any of our existing markets. Studies have shown that in order to economically justify new rental construction in Boardwalk REIT's major markets, an increase in existing rental rates of hundreds of dollars will be necessary. However, in certain market areas such as Calgary, Alberta there has been a significant increase in the number of new condominiums constructed over the past few years. Although these normally are earmarked as owner-occupied properties, a significant number of these condominium units have been, or may be, converted to rental stock.

RISK MANAGEMENT FOR SUPPLY

Our performance will always be affected by the supply and demand for multi-family rental real estate in Canada. The potential for reduced rental revenue exists in the event that Boardwalk REIT is not able to maintain its properties at a high level of occupancy, or in the event of a downturn in the economy, which could result in lower rents or higher vacancy rates. Boardwalk REIT has minimized these risks by:

- Increasing customer satisfaction;
- Diversifying its portfolio across Canada, particularly with the recent expansion into the eastern market, thus lowering its exposure to regional economic swings;
- Acquiring properties only in desirable locations, where vacancy rates for properties are higher than city-wide averages but can be reduced by repositioning the properties through better management and selective upgrades;
- Holding a balanced portfolio which includes a variety of multi-family building types including high-rise, townhouse, garden and walkups, each with its own market niche;
- Maintaining a wide variety of suite mix, including bachelor suites, one, two, three and four-bedroom units;
- Building a broad and varied Customer base, thereby avoiding economic dependence on larger-scale tenants;
- Focusing on affordable multi-family housing, which is considered a stable commodity;
- Developing a specific rental program characterized by rental adjustments that are the result of enhanced service and superior product; and
- Developing regional management teams with significant experience in the local marketplace, and combining this experience with our existing operations and management expertise.

Interest Risk is the combined risk that the Trust would experience a loss as a result of its exposure to a higher interest rate environment (Interest Rate Risk) and the possibility that at the term end of a mortgage the Trust would be unable to renew the maturing debt either with the existing or an additional lender (Renewal Risk).

The Trust manages its interest rate risk by maintaining a balanced maturing portfolio with no significant amount coming due in any one particular period. In addition, the majority of Boardwalk REIT's debt is insured with NHA insurance. This insurance allows us to increase the overall credit quality of the mortgage and, as such, enable the Trust to obtain preferential interest rates. The majority of our mortgage debt is financed for periods ranging between 5 and 10 years.

The use of NHA insurance also assists Boardwalk REIT in managing its renewal risk. Given the increased credit quality of such debt, the probability of the Trust being unable to renew the maturing debt or transfer this debt to another accredited lending institution is significantly reduced.

CREDIT RATINGS

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securi-

ties. The credit ratings accorded to the Trust's unsecured debentures are not a recommendation to purchase, hold or sell the debentures inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that these ratings will remain in effect for any given period of time or that these ratings will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances are so warranted. Real or anticipated changes in credit ratings on the debentures may affect the market value of the debentures. In addition, real or anticipated changes in credit ratings can affect the cost at which Boardwalk can access the debenture market.

STRUCTURAL SUBORDINATION OF DEBENTURES

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of the Trust, holders of indebtedness of the Trust (including holders of unsecured debentures) may become subordinate to lenders to the subsidiaries of the Trust.

Certain of the subsidiaries of the Trust will provide a form of guarantee pursuant to which the Indenture Trustee will, subject to the Trust Indenture, be entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination, which arises as a consequence of the Trust's assets being held in various subsidiaries. Although all subsidiaries, which own material assets, will provide a guarantee, not all subsidiaries of the Trust will provide such a guarantee. In addition, there can be no assurance that the Indenture Trustee will, or will be able to, effectively enforce the guarantee. See "Details of the Offering – Guarantee".

Rent Control Risk is the risk of the implementation or amendment of new or existing legislative rent controls in the markets Boardwalk REIT operates, which may have an adverse impact on the Trust's operations.

Under Ontario's rent control legislation, commonly known as "rent de-control", a landlord is entitled to increase the rent for existing tenants once every twelve months by no more than the "guideline amount" established by regulation. For the calendar years 2005 and 2006, the guideline amounts have been established at 1.5% and 2.1%, respectively. This adjustment is meant to take into account the income of the building and the municipal and school taxes, the insurance bills, the energy costs, maintenance and service costs. Landlords may apply to the Ontario Rental Housing Tribunal for an increase above the guideline amounts if annual costs for heat, hydro, water or municipal taxes have increased significantly or if building security costs have increased. When a unit is vacated, however, the landlord is entitled to lease the unit to a new tenant at any rental amount, after which annual increases are limited to the applicable guideline amount. The landlord may also be entitled to a greater increase in rent for a unit under certain circumstances, including, for example, where extra expenses have been incurred as a result of a renovation of that unit.

Under Quebec's rent control legislation, a landlord is entitled to increase the rent for existing tenants once a year for the rent period starting after April 1st of the current year but before April 1st of the following year. While there is no fixed rate increase specified by regulation, rent increases normally. Rent increases also take into account a return on capital expenditures (for 2006 this return is 3.7% compared to 3.9% for 2005), if such expenditures were incurred, and an indexing of the net income of the building. Average rent increase estimates for the period starting after April 1st, 2006 and before April 2nd, 2007, before any consideration for increases to municipal and school taxes and capital expenditures, are: 1.1% for electricity heated dwellings, 1.6% for gas heated dwellings, 4.3% for oil heated dwellings and 0.9% for non-heated dwellings.

Presently, rent control legislation does not exist in, and is not planned for, Alberta or Saskatchewan.

To manage this risk, prior to entering a market where rent controls are in place, an extensive amount of time is spent researching the existing rules and, where possible, the Trust will ensure it employs Associates who are experienced in working in these controlled environments. In addition, the Trust adjusts forecast assumption on new acquisitions to ensure they are reasonable given the rent control environment.

Utility and Property Tax Risk relates to the potential loss the Trust may experience as a result of higher resource prices and well as its exposure to significant increases in property taxes.

Over the past few years, property taxes have increased as a result of re-valuations of municipal properties and their adherent tax rates. For us, these re-valuations have resulted in significant increases in some property assessments due to enhancements, which are not represented on our balance sheet (as such representations are contrary to existing GAAP reporting standards). In 2005, property taxes for Calgary and Edmonton have increased significantly due to higher tax rates imposed. To address this risk, Boardwalk REIT has compiled a specialized team of property reviewers who, with the assistance of outside authorities, constantly review property tax assessments and, where warranted, appeal them.

Utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that Boardwalk REIT cannot to pass on to the Customer may have a negative material impact on the Trust. To mitigate this risk, the Trust (and its predecessor) has begun to play a more active role in controlling the fluctuation and predictability of this risk. Through the combined use of financial instruments and resource contracts with varying maturity dates, exposure to these fluctuations has been reduced. In addition to this, the following steps have been implemented:

- Where possible, economical electrical sub-metering devices are being installed, passing on the responsibility for electricity charges to the end Customer.
- In other cases, rents have been, or will be, adjusted upward to cover these increased costs.

Operational Risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

The Trust endeavors to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls are constantly reviewed and improvements are implemented, if deemed necessary.

OUTSTANDING TRUST UNIT DATA

Boardwalk REIT has one class of voting securities known as "REIT Units". As at December 31, 2005, there were 48,749,194 REIT units issued and outstanding. In addition, there are currently 4,475,000 Class "B" special voting units of Boardwalk REIT Limited Partnership ("LP B Units"). Each LP B Unit is exchangeable for REIT units on a one-for-one basis at the option of the holder. Each LP B Unit entitles the holder to one vote at any meeting of Unitholders. Accordingly, if all of the LP B Units were exchanged for REIT units, the total issued and outstanding REIT units would be 53,224,194.

Critical Accounting Policies and Disclosure Controls

Our critical accounting policies are those having the most impact on the reporting of our financial condition and results and those requiring significant judgments and estimates. Boardwalk REIT's accounting policies are described in Note 2 to the audited consolidated financial statements for the years ended December 31, 2005 and 2004. Any changes, or new additions, to these policies can be found in Note 3 to the audited consolidated financial statements. These statements were prepared in accordance with the recommendations of the handbook of the Canadian Institute of Charte[red] Accountants ("CICA Handbook") and with the recommend[a]tions of the Real Property Association of Canada ("RealPA[C]"). In applying these policies, in certain cases, it is necessary to use estimates and judgments. In determining estimate[s] management uses the information available to the Trust a[t] the time. Management reviews key estimates on a quarte[rly] basis to determine their appropriateness. Any change to these estimates is applied prospectively in compliance wi[th] Canadian generally accepted accounting principles, we believe that the application of judgments and assessment is consistently applied and produces financial information that fairly depicts the results of operations for all periods presented Boardwalk REIT considers the following policie[s] be critical in determining the judgments that are involved the preparation of the consolidated financial statements a[nd] the uncertainties that could affect the reported results.

AMORTIZATION OF BUILDING ASSET

We are required to assess the useful economic lives of our income-producing properties for purposes of determinin[g] the amount of building amortization to record on a quarterly and annual basis.

IMPAIRMENT OF LONG-LIVED ASSETS

We continually evaluate the recoverability of the net carrying amount of our income-producing properties and properties under development. The CICA accountin[g] standard for impairment of long-lived assets is prospectiv[e] in application and requires us to record an impairment loss when the carrying amount of these real estate investments exceeds the sum of the undiscounted cash flows expected from their use and eventual disposal. Our cash flow estimates are based upon historical results adjusted [to] reflect our best estimate of future market and operating conditions and our estimated holding periods. The net bo[ok] value of impaired assets is reduced to fair market value. O[ur] estimates of fair market value represent our best estimate based upon industry trends and reference to market rates and transactions. Commencing January 1, 2004, any impai[r]ment we recognize should be measured as the amount by which the carrying amount of the asset exceeds its fair va[lue]. Prior to January 1, 2004, we measured any impairment of [our] real estate investments as the amount by which the asset['s] carrying value exceeded the undiscounted future cash flo[ws] from the use and eventual disposal of the asset. We have determined that the impact of this new impairment standard did not have a material impact on our financial posit[ion] or results of operations. In making this determination, ou[r] estimates of future cash flow and the effects of other fact[ors] could vary and result in a significantly different assessme[nt] of impairment.

ACCOUNTING FOR OPERATING LEASES

In accordance with CICA Handbook EIC-140, "Accounting for Operating Leases Acquired in Either an Asset Acquisition or a Business Combination", an enterprise that acquires real estate, such as an office building, retail centre, or apartment complex in either an asset acquisition or business combination, should allocate a portion of the purchase price to in-place operating leases that the enterprise acquires in connection with the real estate property. Application of EIC-140 has been applied prospectively by Boardwalk REIT to real estate acquisitions initiated subsequent to the effective date of the EIC. For the year ended December 31, 2004, approximately $1.4 million of the corresponding purchase price was allocated to in-place operating leases. As this EIC was applied prospectively, beginning January 1, 2004, there is no comparable allocation for the prior year.

CAPITALIZED EXPENDITURES

In conformity with accounting principles generally accepted in Canada, we capitalize those expenditures related to acquiring new assets, materially enhancing the value of an existing asset, or substantially extending the useful life of an existing asset. Expenditures necessary to maintain an existing property in ordinary operating condition are expensed as incurred.

STANDARDIZED WAGE COSTS

On a quarterly basis, Boardwalk REIT estimates the amount of time its on-site maintenance Associates spend working on capital projects. The assumptions used in making the estimates and any changes made are treated prospectively.

ALLOCATION OF PURCHASE PRICE OF REVENUE PRODUCING PROPERTIES

With all new property acquisitions, the Trust is required to make estimates as to the allocation of the recorded purchase price to both tangible and intangible assets, as was noted above in Accounting for operating leases. Such allocation requires management to make estimates and assumptions regarding the depreciated replacement cost of the building and existing improvements, market values for new land, market rental rates, the length of time it would take to achieve the occupancy level of the acquired property, had it been acquired vacant, and leased up by the Trust, the cost of executing comparable leases to those acquired with the property, and the probability of renewing existing tenancies at their expiry, as well as the cost of doing so as compared to installing a new tenant.

EXCHANGEABLE SECURITIES ISSUED BY SUBSIDIARIES OF INCOME TRUSTS (EIC-151)

In accordance with CICA Handbook EIC-151, "Exchangeable Securities Issued by Subsidiaries of Income Trusts", issued in January of 2005 effective for all financial statements filed subsequent to issuance, an Income Trust that has subsidiaries that issues exchangeable securities must evaluate the appropriate disclosure and measurement of these exchangeable securities. EIC-151 outlines three possible solutions, the first is that exchangeable securities have all the characteristics of debt and should be reported accordingly, the second is that the securities should be considered as minority interest and treated as a separate category neither equity or debt, and the final solution is that the securities should be classified as equity. Although the CICA to date has not issued more detailed guidance on this issue, we have reviewed in detail the available information on EIC-151 and have determined that in the case of Boardwalk the exchangeable units "B units" meet all the characteristics of being classified as equity and have been reported as such.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding public disclosure.

The Trust maintains appropriate information systems, procedures and controls to ensure that new information coming to the market is complete, timely and reliable. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted under the supervision of Boardwalk's management, including the CEO and CFO, as at December 31, 2005. The Trust's management, including the CEO and the CFO, do not expect that the disclosure controls or internal control over financial reporting will prevent or detect all misstatements due to error or fraud. Because of the inherent limitations in all control systems, an evaluation of controls can provide only reasonable, not absolute assurance, that all control issues and instances of fraud or error, if any, within the Trust have been detected. The Trust is continually evolving and enhancing its systems of controls and procedures.

Future Objectives

The following chart highlights Boardwalk's 2006 financial objectives.

	2006 Objectives	2005 Actuals
FFO Rental Operations	$1.37 to $1.46	$1.41
Distributable Income	$1.41 to $1.51	$1.46
New Unit Acquisitions	1,000 to 2,000	1,325
Stabilized Buildings NOI growth	0.0%	-0.8%

Although we are anticipating strong internal rental revenue growth, overall operating expenses are expected to continue increasing.

Our guidance for 2006 FFO and DI is slightly more conservative compared to our 2005 revised forecast. The 2006 guidance takes into consideration higher natural gas prices and overall operating costs. We believe we will not be able to fully recover these increased costs from our customers during the 2006 year. We have also incorporated into our guidance the extension of the Alberta natural gas rebate program to March 2009. This extension is estimated to benefit Boardwalk's 2006 financial results by approximately $0.03 per outstanding unit.

We have not included the potential recovery of Edmonton property tax appeals described earlier. It is management's intention to update the market on a quarterly basis regarding our guidance estimates.

Selected Consolidated Financial Information

The following selected financial information should be read in conjunction with "Management's Discussion and Analysis", the audited consolidated financial statements and accompanying notes for the years ended December 31, 2005 and 2004, and the unaudited interim consolidated financial statements of Boardwalk REIT and its predecessor and accompanying notes both incorporated herein by reference.

The statement of net income information and balance sheet information set forth in the following tables has been derived from the audited consolidated financial statements referred to above and the unaudited consolidated financial statements of the Corporation and the Trust for various quarterly interim periods.

ANNUAL COMPARATIVE	Twelve Months Ended				
In $000's, except per unit amounts	Dec. 31, 2005	Dec. 31, 2004	Dec. 31, 2003	Dec. 31, 2002	Dec 31, 2001
Total revenue	297,478	278,721	270,992	249,394	227,269
Net earnings (loss)	5,030	4,779	7,751	11,576	(12,802)
Funds from operations oOoperations [1]	74,795	75,520	70,607	63,052	57,941
Net earnings (loss) per unit					
- Basic	0.09	0.09	0.15	0.23	(0.26)
- Diluted	0.09	0.09	0.15	0.23	(0.26)
Funds from operations per unit					
- Basic	1.41	1.43	1.40	1.27	1.16
- Diluted	1.41	1.43	1.39	1.26	1.15
Mortgages and debentures	1,544,962	1,414,122	1,387,067	1,307,177	1,108,406
Total assets	1,883,857	1,809,139	1,803,380	1,708,490	1,489,291
No. of apartment units	33,298	32,159	31,239	29,326	25,889
Rentable square feet (000)	27,912	27,026	26,353	24,970	21,590

QUARTERLY COMPARATIVE	Three Months Ended							
In $000's, except per unit amounts	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004	Jun 30, 2004	Mar 31, 2004
Total revenue	75,791	74,731	74,140	72,816	70,783	69,898	69,129	68,911
Net earnings (loss)	1,203	2,929	2,929	(2,031)	(891)	4,482	2,415	(1,227)
Funds from operations [1]	17,842	21,783	18,713	16,457	17,734	22,676	18,622	16,488
Net earnings (loss) per unit								
- Basic	0.02	0.06	0.05	(0.04)	(0.02)	0.08	0.05	(0.02)
- Diluted	0.02	0.06	0.05	(0.04)	(0.02)	0.08	0.05	(0.02)
Funds from operations per unit								
- Basic	0.34	0.41	0.35	0.31	0.33	0.43	0.35	0.32
- Diluted	0.34	0.41	0.35	0.31	0.33	0.43	0.35	0.32

Note:

[1] Prior to changes in non-cash working capital.

Additional information relating to Boardwalk Equities Inc. and Boardwalk REIT, including the Annual Information Form of Boardwalk REIT, is available on SEDAR at www.sedar.com.

Respectfully,

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer
February 16, 2006

MANAGEMENT'S REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

The accompanying consolidated financial statements and all information in the Annual Report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to the consolidated financial statements. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality, and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the Annual Report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of consolidated financial statements.

The consolidated financial statements have been further examined by the Board of Trustees and by its audit committee which meets regularly with the auditors and management to review the activities of each. The audit committee, which comprises of three independent directors, reports to the Board of Trustees.

Deloitte & Touche LLP, an independent firm of chartered accountants, has been engaged to audit the consolidated financial statements in accordance with Canadian generally accepted auditing standards and provide an independent auditors' opinion.

Sam Kolias
President and Chief Executive Officer

Roberto A. Geremia
Senior Vice President, Finance
and Chief Financial Officer

AUDITORS' REPORT

To the Unitholders of Boardwalk Real Estate Investment Trust

We have audited the consolidated balance sheets of Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") as at December 31, 2005 and 2004, and the consolidated statements of earnings, accumulated earnings and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years ended December 31, 2005 and 2004, in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Calgary, Alberta
February 13, 2006

CONSOLIDATED BALANCE SHEETS

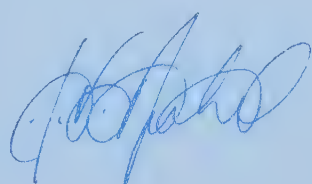
(Cdn$ Thousands)

As at December 31,	2005	2004
ASSETS		
Revenue producing properties (NOTE 6)	$ 1,787,878	$ 1,740,932
Deferred financing costs (NOTE 5)	43,029	39,056
Other assets (NOTE 9)	11,328	14,125
Future income taxes (NOTE 14)	929	547
Mortgages and accounts receivable (NOTE 8)	9,039	8,019
Segregated tenants' security deposits	7,280	6,460
Cash and cash equivalents	11,145	–
Discontinued operations (NOTE 7)	12,758	–
	$ 1,883,386	$ 1,809,139
LIABILITIES		
Mortgages payable (NOTE 10)	$ 1,415,400	$ 1,414,122
Debentures (NOTE 11)	120,000	–
Accounts payable and accrued liabilities	32,196	27,235
Refundable tenants' security deposits and other	10,486	9,543
Bank indebtedness	–	2,723
Discontinued operations (NOTE 7)	9,562	–
	$ 1,587,644	$ 1,453,623
UNITHOLDERS' EQUITY		
Unitholders' capital (NOTE 12)	295,696	293,503
Accumulated earnings	46	62,013
	$ 295,742	$ 355,516
	$ 1,883,386	$ 1,809,139

See accompanying notes to the consolidated financial statements

On behalf of the Trust:

Sam Kolias
Trustee



David V. Richards
Trustee

CONSOLIDATED STATEMENTS OF EARNINGS

Information for the YEAR ended DECEMBER 31, 2004 combines information from boardwalk real estate investment trust and its predecessor (notes 2 and 4)

(Cdn$ Thousands, except NUMBER OF UNITS AND PER UNIT amount

Year ended December 31,	2005	2004
	NOTES 2 and 4	
REVENUE		
Rental income	$ 297,478	$ 278,721
EXPENSES		
Revenue producing properties:		
Operating expenses	39,026	35,266
Utilities	39,754	37,078
Utility rebate (NOTE 2 (g) (iii))	(1,835)	(1,304)
Property taxes	32,514	29,671
Administration	27,787	23,865
Financing costs	82,039	75,020
Deferred financing costs amortization	3,963	3,111
Amortization of capital assets (NOTE 2 (e))	74,896	71,452
	298,144	274,159
Earnings (loss) from continuing operations before the following	(666)	4,562
Recovery of write-down on technology business unit	(739)	–
Earnings from continuing operations before income taxes	73	4,562
Large corporations taxes	613	1,620
Future income taxes (recovery) (NOTE 14)	(493)	(1,669)
Earnings (loss) from continuing operations	(47)	4,611
Earnings from discontinued operations, net of tax (NOTE 7)	5,077	168
Net earnings	$ 5,030	$ 4,779
Basic earnings (loss) per unit (NOTE 13)		
- from continuing operations	$ (0.01)	$ 0.09
- from discontinued operations	0.10	–
Basic earnings per unit	$ 0.09	$ 0.09
Diluted earnings (loss) per unit (NOTE 13)		
- from continuing operations	$ (0.01)	$ 0.09
- from discontinued operations	0.10	–
Diluted earnings per unit	$ 0.09	$ 0.09
Weighted average number of units	53,167,640	52,750,208

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF ACCUMULATED EARNINGS

(Cdn$ Thousands)

Year ended December 31,	2005	2004
Accumulated earnings, beginning of year	$ 62,013	$ 32,993
Net earnings	5,030	4,779
Distributions on units	(66,997)	(47,915)
Premium on unit repurchases	–	(1,397)
Elimination of future income taxes on conversion to a trust (NOTE 2 (a))	–	73,553
Accumulated earnings, end of year	$ 46	$ 62,013

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

Information for the YEAR DECEMBER 31, 2004 combines information from boardwalk real estate investment trust and its predecessor (notes 2 and 4)

(Cdn$ Thousands)

Year ended December 31,	2005	2004
	NOTES 2 and 4	
Operating activities		
Net earnings	$ 5,030	$ 4,779
Earnings from discontinued operations, net of tax	(5,077)	(168)
Future income taxes recovery	(493)	(1,669)
Amortization of capital assets	74,896	71,452
Recovery of write-down on technology business unit	(739)	–
Funds from continuing operations	73,617	74,394
Funds from discontinued operations	1,178	1,126
Net change in operating working capital	6,401	7,099
Total operating cash flows	81,196	82,619
Financing activities		
Issue of trust units (net of issue costs) (NOTE 12)	2,202	28,934
Unit repurchase program	–	(2,163)
Restructuring costs	(9)	(10,174)
Distributions paid	(66,990)	(42,333)
Issue of debentures (NOTE 11)	120,000	–
Financing of revenue producing properties	146,245	138,241
Repayment of debt on revenue producing properties	(149,361)	(131,523)
Capital lease obligations	(84)	(3,431)
Deferred financing costs incurred (net of amortization)	(4,545)	(1,488)
	47,458	(23,937)
Investing activities		
Purchases of revenue producing properties (NOTE 6)	(103,074)	(40,212)
Improvements to revenue producing properties	(29,676)	(30,492)
Net cash proceeds from sale of properties	19,723	–
Additions to corporate technology assets	(1,759)	(824)
	(114,786)	(71,528)
Net increase (decrease) in cash and cash equivalents balance	13,868	(12,846)
Cash and cash equivalents (bank indebtedness), beginning of year	(2,723)	10,123
Cash and cash equivalents (bank indebtedness), end of year	$ 11,145	$ (2,723)
Supplementary cash flow information:		
Capital taxes paid	$ 1,100	$ 1,150
Interest paid	$ 79,787	$ 76,300

See accompanying notes to the consolidated financial statements

NOTE 1

ORGANIZATION OF TRUST

Boardwalk Real Estate Investment Trust ("Boardwalk REIT" or the "Trust") is an unincorporated, open-ended real estate investment trust created pursuant to the Declaration of Trust, dated January 9, 2004 and as amended and restated on May 3, 2004, under the laws of the Province of Alberta. Boardwalk REIT was created to invest in revenue producing multi-family residential properties or interests within Canada, initially through the acquisition of operations of Boardwalk Equities Inc. (the "Corporation"), which was acquired on May 3, 2004.

NOTE 2

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with the recommendations of the handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook").

Boardwalk REIT is considered to be a continuation of Boardwalk Equities Inc. following the continuity of interest method of accounting. Under the continuity of interest method of accounting, Boardwalk REIT's acquisition of the operations of Boardwalk Equities Inc. is recorded at the net book value of the Corporation's assets and liabilities on May 3, 2004 and the unitholders' capital to Boardwalk REIT represents the shareholders' equity of the Corporation at that date. Future income tax liabilities in the amount of $73.6 million were eliminated, except the portion related to tax and accounting base differences in corporate subsidiaries of Boardwalk REIT.

The comparative figures for the year ended December 31, 2004 represent the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to December 31, 2004 (see Note 4).

The preparation of financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and to make disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Principles of consolidation

The consolidated financial statements include the accounts of Boardwalk REIT and its wholly-owned subsidiaries, as well as entities over which it exercises control. All inter-company transactions have been eliminated.

(c) Revenue recognition

i. Revenue from a rental property is recognized once the Trust has attained substantially all of the benefits and risks of ownership of the rental property. Rental revenue includes rents, parking and other sundry revenues. All residential leases are for one-year terms or less; consequently, the Trust accounts for leases with its tenants as operating leases.

ii. Revenue from the sales of property held for resale is recognized when all conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit (usually 15%) has been received and there is reasonable assurance on the collectibility of any outstanding amount.

(d) Revenue producing properties

Revenue producing real estate properties, which are held for investment, are stated at the lower of cost less accumulated amortization or "net recoverable amount". Cost includes all amounts relating to the acquisition and improvement of the properties. All costs associated with upgrading the existing facilities, other than ordinary repairs and maintenance, are capitalized and amortized as project improvements.

Revenue producing properties are reviewed periodically for impairment. An impairment loss will be recognized in the period when the carrying amount of the revenue producing properties exceeds the

net recoverable amount represented by the undiscounted estimated future cash flows expected to be received from the ongoing use of the properties plus their residual value. If it is determined that an impairment exists, the carrying value of the revenue producing properties will be reduced to their estimated fair value.

In accordance with the requirements of the CICA Handbook, when acquiring revenue producing properties, Boardwalk REIT allocates a portion of the purchase price to in-place operating leases that is acquired in connection with the real estate property and to a separate customer relationship intangible asset relating to the possibility or probability that existing tenants will renew their leases.

(e) Amortization of capital assets

Revenue producing real estate properties are amortized over the estimated useful lives of the assets. Effective January 1, 2004, the straight-line method was adopted to compute amortization of its revenue producing buildings over periods ranging from 30 to 50 years. The adoption of the straight-line method from the sinking-fund method has been applied prospectively in accordance with the transitional provision of CICA Handbook Section 1100. Non-building assets are amortized using the declining-balance method at rates ranging from 8% to 35%.

Estimated useful lives of buildings and non-building assets are periodically evaluated by management and any changes in these estimates are accounted for on a prospective basis.

(f) Deferred financing costs

Insurance premiums paid to Canada Mortgage and Housing Corporation ("CMHC") to obtain insurance through the National Housing Act ("NHA") are amortized on a straight-line basis over the amortization period of the mortgage loans. Upon the refinancing of a mortgage, any unamortized insurance premium associated with the previous mortgage is written off to income. Costs of refinancing are amortized on a straight-line basis over the term of the new loan.

(g) Risk management and fair value

Risk management

The Trust is exposed to financial risk that arises from the fluctuation in interest rates, the credit quality of its tenants, and the fluctuation in utility rates. These risks are managed as follows:

i. Interest rate risk

Interest rate risk is minimized through the Trust's current strategy of having the majority of its mortgages payable in fixed term arrangements. In addition, management is constantly reviewing its operating facility and, if market conditions warrant, the Trust has the ability to convert its existing demand debt to fixed rate debt. The Trust had demand debt outstanding of $nil at December 31, 2005 (December 31, 2004 - $nil). In addition, the Trust structures its financings so as to stagger the maturities of its debt, thereby minimizing the Trust's exposure to interest rate fluctuations.

The majority of the Trust's mortgages are insured by CMHC under the NHA mortgage program. This added level of insurance offered to lenders allow the Trust to receive the best possible financing and interest rates, and significantly reduces the potential for a lender to call a loan prematurely.

ii. Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease term commitments. The Trust mitigates this risk of credit loss by geographically diversifying its existing portfolio, by limiting its exposure to any one tenant and by conducting thorough credit checks with respect to all new rental leasing arrangements. In addition, where legislation allows, the Trust obtains a security deposit from a tenant to assist in the recovery of monies owed to the Trust.

iii. Utilities

At December 31, 2005, the Trust had long-term supply arrangements with two electrical utility companies to supply the Trust with its electrical power needs for Alberta for the next twelve to thirty-six months at a fixed blended rate of approximately $0.0561/kwh. These agreements provide that the Trust purchase its power for all Alberta properties under contract for the upcoming months.

In Eastern Canada, Boardwalk REIT has procured approximately 75% of its gas usage requirements under a physical fixed-price supply contract until April 1, 2006, priced near $11.00/GJ.

While the above utility contracts for both electrical power and natural gas reduce the risk of exposure to adverse changes in commodity prices, they also reduce the potential benefits of favourable changes in commodity prices. For accounting purposes, all settlements are recorded as utility expense in the period the settlement occurs.

Beginning in November 2003, the Alberta government implemented a natural gas rebate program covering the winter usage months of November through March. In October 2005, the natural gas rebate program was extended to cover the month of October. In January of 2006, the Alberta government announced a three-year extension to the program covering the winter months of October through March. The extension of the natural gas rebate program will end March 31, 2009. The rebate program becomes active when the natural gas consumer price charged by two of the three major gas companies in Alberta exceeds $5.50/GJ for any individual winter usage month. For January to March 2004, Boardwalk REIT's predecessor was eligible for rebates totalling approximately $0.8 million. For November and December 2004, Boardwalk REIT was eligible for rebates totalling approximately $0.5 million. For January to March 2005, Boardwalk REIT was eligible for rebates totalling approximately $0.6 million. For October through December, Boardwalk REIT was eligible for estimated rebates totalling $1.2 million.

Fair Value

In accordance with the disclosure requirements of the CICA Handbook, Boardwalk REIT is required to disclose certain information concerning its "financial instruments", defined as a contractual right to receive or deliver cash or another financial asset. The fair values of the majority of the Trust's financial assets and liabilities, representing net working capital, approximate their recorded values at December 31, 2005 and 2004 due to their short-term nature. In these circumstances, the fair value is determined to be the market or exchange value of the assets or liabilities.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect estimates. The significant financial instruments of Boardwalk REIT and their carrying values as of December 31, 2005 and 2004 are as follows:

As at December 31,	2005	2004
Mortgages and accounts receivable		
Carrying value	$ 9,039	$ 8,019
Fair market value	$ 9,039	$ 8,019
Mortgages payable and debentures (including discontinued operations)		
Carrying value	$ 1,544,962	$ 1,414,122
Fair market value	$ 1,588,024	$ 1,478,627

The fair value of the Trust's mortgages payable and debentures exceed the recorded value by approximately $43.1 million at December 31, 2005 (December 31, 2004 - $64.5 million) due to changes in interest rates since the dates on which the individual mortgages and debentures were assumed. The fair value of the mortgages payable and debentures have been estimated based on the current market rates for mortgages and debentures with similar terms and conditions. The fair value of the Trust's mortgages payable and debentures is an amount computed based on the interest rate environment prevailing at December 31, 2005 and 2004, respectively; the amount is subject to change and the future amounts will converge. There are no additional costs to Boardwalk REIT, assuming no early extinguishment of existing debt is delivered upon.

(h) Use of estimates

The accounting process requires that management make, and periodically review, a number of estimates including the following material items:

i. economic useful life of buildings for purposes of calculating amortization as disclosed in Note 2 (e);

ii. forecast of economic indicators in order to measure fair values of buildings for purposes of determining net recoverable amount under Canadian generally accepted accounting principles as discussed in Note 2 (d);

iii. amount of capitalized on-site wages which relate to project improvements, as discussed in Note 6; and

iv. amount of utility accrual for charges related to the current period.

Actual results may differ from these estimates.

(i) Cash and cash equivalents

Boardwalk REIT considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

(j) Disposal of long-lived assets

Disposal of long-lived assets are classified as held for sale, and the results of operations and cash flows associated with the assets disposed are reported separately as discontinued operations, less applicable income taxes. A long-lived asset is classified as an asset held for sale at the point in time when it is available for immediate sale, management has committed to a plan to sell the asset and is actively locating a buyer for the asset at a sales price that is reasonable in relation to the current fair value of the asset, and the sale is probable and expected to be completed within a one-year period. For unsolicited interest in a long-lived asset, the asset is classified as held for sale only if all the conditions of the purchase and sale agreement have been met, a sufficient purchaser deposit has been received and the sale is probable and expected to be completed shortly after the end of the current period.

(k) Hedging relationships

Boardwalk REIT appropriately documents and monitors to ensure that there is a reasonable assurance, both in inception and throughout the term of the hedge, that the hedging relationship will be effective. Relationships that do not qualify for hedge accounting will be carried at fair value on the consolidated balance sheets, and changes in fair value will be recorded in the consolidated statements of earnings.

(l) Disclosure of guarantees

In accordance with the disclosure requirements of the CICA Handbook, Boardwalk REIT is required to disclose significant details of guarantees that have been given, regardless of whether it will have to make payments under the guarantees.

(m) Comparative figures

Certain comparative figures have been reclassified to conform to the presentation of the current period, or as a result of accounting changes.

NOTE 3

ACCOUNTING CHANGES

a) Accounting policy changes

(i) Hedge accounting

Beginning January 1, 2005, the Trust adopted hedge accounting in accordance with the transitional provisions of CICA Handbook Section 3865. Hedge accounting was applied to a bond forward contract (see NOTE 11) entered into by the Trust to mitigate future cash interest payments associated with our unsecured debentures, which was completed on January 21, 2005.

(ii) Consolidation of variable interest entities

These consolidated financial statements include the accounts of Boardwalk REIT and its wholly owned subsidiaries, as well as variable interest entities over which it exercises control on a basis other than ownership of voting interests in accordance with CICA Handbook Accounting Guideline 15 (AcG-15), Consolidation of Variable Interest Entities. All inter-company transactions have been eliminated.

b) Reclassification of properties held for resale

Certain excess land located in the province of Saskatchewan that was being developed and made readied for sale was classified as "Properties Held for Resale". The Trust capitalized all direct costs, including financing and property tax costs, net of related revenue, associated with the land.

During the year, the excess land in the amount of $8.0 million (December 31, 2004 - $7.9 million) was reclassified as part of revenue producing properties.

NOTE 4

RESULTS OF BOARDWALK REIT AND BOARDWALK EQUITIES INC.

The following statements of earnings and cash flows reflect the activities of Boardwalk REIT for year ended December 31, 2004, separated to show the results of Boardwalk Equities Inc. prior to May 3, 2004 and the results of Boardwalk REIT subsequent to May 2, 2004.

Statement of Earnings	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
REVENUE			
Rental income	$ 91,886	$ 186,835	$ 278,721
EXPENSES			
Revenue producing properties:			
Operating expenses	11,294	23,972	35,266
Utilities	15,786	21,292	37,078
Utility rebate	(812)	(492)	(1,304)
Property taxes	8,907	20,764	29,671
Administration	7,662	16,203	23,865
Financing costs	24,403	50,617	75,020
Deferred financing costs amortization	1,041	2,070	3,111
Amortization of capital assets	22,960	48,492	71,452
	91,241	182,918	274,159
Earnings from continuing operations before income taxes	645	3,917	4,562
Large corporations taxes	1,032	588	1,620
Future income taxes recovery	(1,266)	(403)	(1,669)
Earnings from continuing operations	879	3,732	4,611
Earnings from discontinued operations, net of tax	6	162	168
Net earnings for the period	$ 885	$ 3,894	$ 4,779
Basic earnings per unit			
- from continuing operations	$ 0.02	$ 0.07	$ 0.09
- from discontinued operations	–	–	–
Basic earnings per unit	$ 0.02	$ 0.07	$ 0.09
Diluted earnings per unit			
- from continuing operations	$ 0.02	$ 0.07	$ 0.09
- from discontinued operations	–	–	–
Diluted earnings per unit	$ 0.02	$ 0.07	$ 0.09

Statement of Cash Flows	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
Operating activities			
Net earnings for the period	$ 885	$ 3,894	$ 4,779
Earnings from discontinued operations, net of tax	(6)	(162)	(168)
Future income taxes recovery	(1,266)	(403)	(1,669)
Amortization of capital assets	22,960	48,492	71,452
Funds from continuing operations	22,573	51,821	74,394
Funds from discontinued operations	294	832	1,126
Net change in operating working capital	3,934	3,165	7,099
Total operating cash flows	26,801	55,818	82,619
Financing activities			
Issue of trust units (net of issue costs)	28,372	562	28,934
Unit repurchase program (stock repurchase program before May 3, 2004)	–	(2,163)	(2,163)
Restructuring costs	(8,500)	(1,674)	(10,174)
Distributions paid	(3,938)	(38,395)	(42,333)
Financing of revenue producing properties	47,718	90,523	138,241
Repayment of debt on revenue producing properties	(47,414)	(84,109)	(131,523)
Capital lease obligations	(407)	(3,024)	(3,431)
Deferred financing costs incurred (net of amortization)	(1,969)	481	(1,488)
	13,862	(37,799)	(23,937)
Investing activities			
Purchases of revenue producing properties	(9,174)	(31,038)	(40,212)
Improvements to revenue producing properties	(7,303)	(23,189)	(30,492)
Additions to corporate technology assets	(461)	(363)	(824)
	(16,938)	(54,590)	(71,528)
Net increase (decrease) in cash and cash equivalents	$ 23,725	$ (36,571)	$ (12,846)

NOTE 5

DEFERRED FINANCING COSTS

As at December 31,	2005	2004
Legal and financing costs	$ **16,048**	$ 17,288
CMHC fees	**44,724**	40,098
Total deferred financing costs	**60,772**	57,386
Less: accumulated amortization	**(17,475)**	(18,330)
	$ **43,297**	$ 39,056
Continuing operations	$ **43,029**	$ 39,056
Discontinued operations (NOTE 7)	**268**	–
	$ **43,297**	$ 39,056

NOTE 6

REVENUE PRODUCING PROPERTIES

As at December 31,	2005	2004
Land	$ 149,508	$ 133,137
Building and non-building assets	2,022,306	1,912,284
Total revenue producing properties	2,171,814	2,045,421
Less: accumulated amortization	(371,446)	(304,489)
	$ 1,800,368	$ 1,740,932
Continuing operations	$ 1,787,878	$ 1,740,932
Discontinued operations (NOTE 7)	12,490	–
	$ 1,800,368	$ 1,740,932

Acquisitions	Year ended Dec. 31, 2005	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
Cash paid	$ 103,074	$ 9,174	$ 31,038	$ 40,212
Debt assumed	13,144	7,912	12,425	20,337
Total purchase price	116,218	17,086	43,463	60,549
Fair value adjustments to debt	(207)	560	831	1,391
Book value	$ 116,011	$ 17,646	$ 44,294	$ 61,940
Allocation of book value to revenue producing properties	$ 112,354	$ 16,910	$ 42,549	$ 59,459
Allocation of book value to other assets (NOTE 2 (d))	3,657	736	1,745	2,481
	$ 116,011	$ 17,646	$ 44,294	$ 61,940
Multi-family units acquired	1,325	183	734	917

Dispositions	Year ended Dec. 31, 2005	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
Cash received	$ 19,723	$ –	$ –	$ –
Cost of dispositions	309	–	–	–
Total proceeds	20,032	–	–	–
Net book value	15,564	–	–	–
Gain on dispositions	$ 4,468	$ –	$ –	$ –
Multi-family units sold (excluding commercial property)	186	–	–	–

Included in revenue producing properties is capitalized wages of $4.1 million for the year ended December 31, 2005 (December 31, 2004 - $4.3 million) relating to capital upgrades.

NOTE 7

DISCONTINUED OPERATIONS

During the fourth quarter of 2005, the Trust completed the sale of a commercial building located in Calgary, Alberta. This commercial property did not form part of our Alberta segment in our segmented information disclosure. During the second quarter of 2005, the Trust completed the sale of a 186-unit rental property located in Edmonton, Alberta. This rental property formed part of our Alberta segment.

Two additional properties, a 156-unit and a 38-unit rental property, both located in Calgary, Alberta, were classified as discontinued operations at year-end. These two properties formed part of our Alberta segment in our segmented information disclosure.

The following tables set forth the results of operations as well as the assets and liabilities associated with the discontinued operations.

Year ended December 31,		2005		2004
REVENUE				
Rental income	$	3,230	$	3,789
EXPENSES				
Revenue producing properties:				
Operating expenses		91		496
Utilities		583		521
Property taxes		266		259
Administration		103		91
Financing costs		992		1,269
Deferred financing cost amortization		17		27
Amortization of capital assets		459		987
		2,511		3,650
		719		139
Gain on disposition		4,468		–
Operating earnings from discontinued operations before income taxes		5,187		139
Future income taxes (recovery)		110		(29)
Earnings from discontinued operations	$	5,077	$	168

As at December 31		2005		2004
Discontinued Assets				
Revenue producing properties	$	12,490	$	–
Other assets		268		–
Total	$	12,758	$	–
Discontinued Liabilities				
Mortgages payable	$	9,562	$	–
Total	$	9,562	$	–

NOTE 8

MORTGAGES AND ACCOUNTS RECEIVABLE

The mortgages and accounts receivable comprise an aggregate amount of $9.0 million at December 31, 2005 (December 31, 2004 - $8.0 million). The balance consists mainly of mortgage holdbacks and income earned but not yet received.

As at December 31		2005		2004
Accounts receivable	$	4,481	$	3,319
Mortgage holdbacks and refundable mortgage fees		4,558		4,700
	$	9,039	$	8,019

NOTE 9

OTHER ASSETS

As at December 31,		2005		2004
Corporate technology assets (net of amortization)	$	3,502	$	3,115
Head office building (net of amortization)		2,350		2,314
Deposits on potential property acquisitions		200		3,900
Prepaid parts and supplies		2,037		1,464
Lease goodwill and customer relationship intangibles, net of accumulated amortization		125		990
Prepaid and other		3,114		2,342
	$	11,328	$	14,125

Accumulated amortization for corporate technology assets and head office building at December 31, 2005 were $10.8 million and $0.8 million, respectively (December 31, 2004 - $9.4 million and $0.6 million, respectively).

NOTE 10

MORTGAGES PAYABLE

As at December 31,	2005	2004
(a) Revenue producing properties		
Mortgages payable bearing interest at rates ranging between 3.50% and 8.85% per annum with a weighted average rate of 5.39% per annum at December 31, 2005 (December 31, 2004 - 5.49%), payable in monthly principal and interest instalments totalling $9.7 million for the year ended December 31, 2005 (December 31, 2004 - $9.4 million), mature from 2005 to 2020 and are secured by specific charges against specific properties. All interest rates are fixed for the term of the respective mortgage with the exception of one mortgage totalling $31.9 million, which bears interest at the then-prevailing bankers acceptances rate plus 80 basis points and is reset quarterly.	**$ 1,423,237**	$ 1,412,358
(b) Other assets		
Mortgage payable bearing interest at the rate of 7.92% per annum at December 31, 2005 and 2004, payable in monthly principal and interest instalments totalling $15 thousand for the years ended December 31, 2005 and 2004, matures in September 2010 and is secured by a specific charge against the head office building. The interest rate is fixed for the term of the mortgage.	**1,725**	1,764
	$ 1,424,962	$ 1,414,122
Continuing operations	**$ 1,415,400**	$ 1,414,122
Discontinued operations (NOTE 7)	**9,562**	–
	$ 1,424,962	$ 1,414,122

Estimated principal payments required to meet mortgage obligations as at December 31, 2005 are as follows:

	Revenue Producing Properties	Other Assets	Total
2006	$ 212,755	$ 42	$ 212,797
2007	269,070	45	269,115
2008	226,677	48	226,725
2009	200,556	53	200,609
2010	243,960	1,537	245,497
Subsequent	270,219	–	270,219
	$ 1,423,237	$ 1,725	$ 1,424,962

Estimated principal payments required to meet mortgage obligations as at December 31, 2004 are as follows:

	Revenue Producing Properties	Other Assets	Total
2005	$ 224,454	$ 39	$ 224,493
2006	218,877	42	218,919
2007	250,295	45	250,340
2008	240,792	48	240,840
2009	191,488	53	191,541
Subsequent	286,452	1,537	287,989
	$ 1,412,358	$ 1,764	$ 1,414,122

CMHC provides mortgage loan insurance in connection with mortgages made to Boardwalk REIT. In an agreement dated September 13, 2002 and as amended and restated on January 19, 2005, the Trust agreed to provide certain financial information to CMHC and be subject to certain restrictive covenants, including limitation on additional debt, distribution of dividends in respect of unitholders' capital in the event of default, and maintenance of certain financial ratios. In the event of default, the Trust's total financial liability under this Agreement is limited to a one-time penalty payment of $250 thousand under a Letter of Credit issued in favour of CMHC.

(c) Demand facilities

During the year, the Trust had a demand facility in the form of an acquisition and operating line with a major financial institution. This demand facility was secured by a first or second mortgage charge of specific assets. The maximum amount available varied with the value of pledged assets to a maximum not to exceed $110 million. Approximately $95.0 million was available from this facility on December 31, 2005 (December 31, 2004 - $nil). No amount of the facility was outstanding at December 31, 2005 and 2004; however, two Letters of Credit were issued against the facility as at December 31, 2005. One letter of credit was issued in favour of CMHC as noted above. The second letter of credit in the amount of $250 thousand was issued in favour of a utility company, Hydro Quebec. The demand facility carried an interest rate ranging from prime to prime plus 1.0% per annum and had no fixed terms of repayment. The facility was subject to annual reviews by the financial institution.

NOTE 11

DEBENTURES

On January 21, 2005, Boardwalk REIT completed the issuance of unsecured debentures in a public offering in the aggregate amount of $120 million. The debentures are rated "BBB" with a stable trend by Dominion Bond Rating Services, carry a coupon rate of 5.31% and will mature on January 23, 2012. Net proceeds of approximately $119 million was be used to fund acquisitions, repay operating lines of credit and for general trust purposes. In conjunction with the debenture issue, the Trust also entered into a bond forward contract to hedge the risk of interest rate fluctuations prior to the final pricing of the debenture. The bond forward contract were settled when the debentures were issued for the settlement amount of $0.7 million. The settlement amount will be amortized over the term of the unsecured debentures.

NOTE 12

UNITHOLDERS' CAPITAL

The Plan of Arrangement (the "Arrangement") to convert Boardwalk Equities Inc. from a share corporation to a real estate investment trust was completed on May 3, 2004. On conversion of Boardwalk Equities Inc. to a trust, Boardwalk Equities Inc. incurred $10.1 million in restructuring costs. Under the Arrangement, the former shareholders of Boardwalk Equities Inc. received Boardwalk REIT units or Class B Limited Partnership ("LP Class B") units of a controlled limited partnership of the Trust, Boardwalk REIT Limited Partnership.

The LP Class B units are non-transferable, except under certain circumstances, but are exchangeable, on a one-for-one basis, into Boardwalk REIT units at any time at the option of the holder. Prior to such exchange, distributions will be made on the exchangeable units in an amount equivalent to the distributions which would have been made had the units of Boardwalk REIT been issued. Each LP Class B unit was accompanied by a Special Voting unit, which will entitle the holder to receive notice of, attend and vote at all meetings of unitholders. There is no value assigned to the Special Voting units. The LP Class B units issued are included in the unitholders' capital contributions on the balance sheet. The changes in unitholders' capital contribution are as follow:

	Shares	Amount
Share capital of Boardwalk Equities Inc. at December 31, 2003	50,868,119	$ 275,509
Options exercised	2,345,155	28,372
Share capital of Boardwalk Equities Inc. at May 2, 2004 exchanged for trust units	53,213,274	$ 303,881
Summary of Unitholders' Capital Contributions	Units	Amount
Units issued in exchange for Boardwalk Equities Inc. shares	53,213,274	$ 303,881
Issuance of 15,000 units for cash at $18.00 per unit on May 3, 2004	15,000	270
Unit repurchases, recorded at book value of units	(138,400)	(766)
Units issued under distribution reinvestment plan	17,693	292
Restructuring costs	–	(10,174)
December 31, 2004	53,107,567	$ 293,503
Units issued under distribution reinvestment plan	116,627	2,202
Restructuring costs		(9)
December 31, 2005	53,224,194	$ 295,696

On August 25, 2003, the Corporation commenced a normal course issuer bid allowing it to purchase up to 2,770,228 common shares for cancellation until its termination on August 24, 2004 or such earlier time as the bid is complete. On May 7, 2004, Boardwalk REIT announced it would continue the normal course issuer bid of its predecessor commenced on August 25, 2003. The Trust and its predecessor acquired and cancelled 138,400 units at December 31, 2004 at a cost of $2.2 million. The excess of the cost over stated value of the units acquired of $1.4 million at December 31, 2004 has been charged to accumulated earnings.

The Declaration of Trust authorizes Boardwalk REIT to issue an unlimited number of units for the consideration and on terms and conditions established by the Trustees without the approval of any unitholders. The interests in Boardwalk REIT are represented by two classes of units: a class described and designated as "REIT Units" and a class described and designated as "Special Voting Units". The beneficial interest of the two classes of units is as follows:

(a) REIT Units

REIT Units represent an undivided beneficial interest in Boardwalk REIT and in distributions made by Boardwalk REIT. The REIT Units are freely transferable, subject to applicable securities regulatory requirements. Each REIT Unit entitles the holder to one vote at all meetings of unitholders. Except as set out under the redemption rights below, the REIT Units have no conversion, retraction, redemption or pre-emptive rights.

REIT Units are redeemable at any time, in whole or in part, on demand by the holders. Upon receipt by Boardwalk REIT of a written redemption notice and other documents that may be required, all rights to and under the REIT Units tendered for redemption shall be surrendered and the holder shall be entitled to receive a price per REIT Unit equal to the lesser of:

i) 90% of the "market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading during the twenty- day period ending on the trading day prior to the day on which the REIT Units were surrendered to Boardwalk REIT for redemption; and

ii) 100% of the "closing market price" of the REIT Units on the principal market on which the REIT Units are quoted for trading on the redemption date.

(b) Special Voting Units

The Declaration of Trust provides for the issuance of an unlimited number of Special Voting Units that will be used to provide voting rights to holders of LP Class B units or other securities that are, directly or indirectly, exchangeable for REIT Units.

Each Special Voting Unit entitles the holder to the number of votes at any meeting of unitholders, which is equal to the number of REIT Units that may be obtained upon surrender of the LP Class B unit to which the Special Voting Unit relates. The Special Voting Units do not entitle or give any rights to the holders to receive distributions or any amount upon liquidation, dissolution or winding-up of Boardwalk REIT.

The breakdown of trust units of Boardwalk REIT by class is as follows:

	Units	Amount
Boardwalk REIT Units	48,749,194	
Special Voting Units issued to holders of LP Class B units	4,475,000	
Total trust units	53,224,194	$ 295,696

NOTE 13

DISTRIBUTABLE INCOME AND PER UNIT INFORMATION

Distributable income per unit

Boardwalk REIT makes distributions to unitholders on a monthly basis on or about the 15th day of the following month. The reported distributable income is defined under the Trust's Declaration of Trust ("DOT"). Under this current DOT, the Trust is required to distribute, at a minimum, its reported taxable income. The reconciliation of distributable income and per unit information begins with net earnings calculated in accordance with Canadian generally accepted accounting principles ("GAAP") and as defined in the DOT for Boardwalk REIT. However, distributable income and the per unit information are non-GAAP measures that do not have any standardized meaning prescribed by Canadian GAAP and, therefore, unlikely to be comparable to similar measures presented by other real estate companies and trusts.

	Year ended Dec. 31, 2005	May 3, 2004 to Dec. 31, 2004
Net earnings	**$ 5,030**	$ 3,894
Add:		
Amortization of capital assets	**75,355**	49,166
Amortization of deferred financing costs incurred prior to May 3, 2004	**3,064**	2,002
Amortization of net discount on long-term debt assumed after May 2, 2004	**9**	–
Deduct:		
Future income tax recovery	**(383)**	(407)
Gain on dispositions	**(4,468)**	–
Recovery of write-down on technology business unit	**(739)**	–
Amortization of net premium on long-term debt assumed after May 2, 2004	**–**	(91)
Distributable income	**$ 77,868**	$ 54,564
Distribution to unitholders	**$ 66,997**	$ 43,977
Distributable income withheld	**10,871**	10,587
	$ 77,868	$ 54,564
Weighted average units outstanding – basic and diluted	**53,167,640**	53,115,514
Distributable income earned per unit	**$ 1.46**	$ 1.027
Actual distributions declared per unit	**$ 1.26**	$ 0.828

Earnings per unit

	Year ended Dec. 31, 2005	Year ended Dec. 31, 2004
Numerator		
Earnings (loss) from continuing operations	$ (47)	$ 4,611
Earnings from discontinued operations	5,077	168
Denominator		
Denominator for basic earnings per unit – weighted average units (THOUSANDS)	53,168	52,750
Denominator for diluted earnings per unit adjusted for weighted average units and assumed conversion (THOUSANDS)	53,168	52,750
Earnings (loss) per unit from continuing operations		
Basic	$ (0.01)	$ 0.09
Diluted	$ (0.01)	$ 0.09
Earnings per unit from discontinued operations		
Basic	$ 0.10	$ –
Diluted	$ 0.10	$ –

NOTE 14

INCOME TAXES

Boardwalk REIT is a "mutual fund trust" as defined under the Income Tax Act (Canada) and accordingly is not taxable on its income to the extent that its income is distributed to its unitholders. This exemption does not extend to the corporate subsidiaries of Boardwalk REIT that are subject to income tax. Total future income tax recovery for the year ended December 31, 2004 combines the results of Boardwalk Equities Inc. prior to May 3, 2004 with the results of Boardwalk REIT subsequent to May 2, 2004. The adjustment for change in effective tax rate reflects the reduction of the current combined federal and provincial substantially enacted rate in the province of Alberta.

	Year ended Dec. 31, 2005	Jan. 1, 2004 to May 2, 2004	May 3, 2004 to Dec. 31, 2004	Year ended Dec. 31, 2004
Continuing operations	$ (493)	$ (1,266)	$ (403)	$ (1,669)
Discontinued operations	110	(25)	(4)	(29)
Total future income taxes recovery	$ (383)	$ (1,291)	$ (407)	$ (1,698)

Future income taxes recovery consists of the following:

Year ended December 31,	2005	2004
Tax (recovery) expense based on expected rate	$ 719	$ (121)
Non-taxable portion of capital gains	(470)	–
Adjustment to future income tax liabilities	(552)	(26)
Adjustment for change in effective tax rate	(80)	(1,551)
Future income taxes recovery	$ (383)	$ (1,698)

The future income tax asset (liability) is calculated as follows:

As at December 31,	2005	2004
Tax asset related to operating losses	$ 403	$ 1,034
Tax asset (liability) related to differences in tax and book basis	526	(487)
Future income tax asset	$ 929	$ 547

NOTE 15

RELATED PARTY TRANSACTIONS

During the year ended December 31, 2004, a wholly owned subsidiary of a corporation controlled by two executives, one also being a trustee, transferred funds for cash management purposes to its parent company. These funds were forwarded from Boardwalk REIT Limited Partnership, a controlled limited partnership of the Trust, to this subsidiary to fund existing liabilities, including amounts due to the federal government in the form of large corporation taxes. Although the Trust has no legal ownership of this

subsidiary, due to guarantees provided by the Trust to this subsidiary as part of the restructuring from a corporation to the Trust on May 3, 2004, this entity has been included in these consolidated financial statements. The total amount owed to the subsidiary from the parent company at December 31, 2005 was $nil (December 31, 2004- $900 thousand).

NOTE 16

COMMITMENTS AND CONTINGENCIES

Boardwalk REIT has long-term supply arrangements with electrical utility companies and commitments for fixed-price natural gas supply contracts as described in Note 2 (g) (iii).

Boardwalk REIT, in the normal course of operations, will become subject to a variety of legal and other claims against the Trust. Management and the Trust's legal counsel evaluate all claims on their apparent merits, and accrue management's best estimate of the estimated costs to satisfy such claims. Management believes that the outcome of legal and other claims filed against the Trust or its predecessor will not be material to Boardwalk REIT.

NOTE 17

GUARANTEES

In the normal course of business, various agreements may be entered that may contain features that meet the AcG-14 definition of a guarantee. AcG-14 defines a guarantee to be a contract (including an indemnity) that contingently requires an entity to make payments to the guaranteed party based on (i) changes in an underlying interest rate, foreign exchange rate, equity or commodity instrument, index or other variable, that is related to an asset, a liability or an equity security of the counterparty, (ii) failure of another party to perform under an obligating agreement or (iii) failure of a third party to pay its indebtedness when due.

In connection with the sales of properties, a mortgage assumed by the purchaser may have an indirect guarantee provided to the lender until the mortgage is refinanced by the purchaser. In the event of default by the purchaser, the seller would be liable for the outstanding mortgage balance. Boardwalk REIT's maximum exposure at December 31, 2005 is approximately $5.7 million (December 31, 2004 - $5.9 million). In the event of default, Boardwalk REIT's recourse for recovery includes the sale of the respective building asset. Boardwalk REIT expects that the proceeds from the sale of the building asset will cover, and in most likelihood exceed, the maximum potential liability associated with the amount being guaranteed. Therefore, at December 31, 2005, no amounts have been recorded in the consolidated financial statements with respect to the above noted indirect guarantees.

NOTE 18

SEGMENTED INFORMATION

Boardwalk REIT specializes in multi-family residential housing and operates primarily within one business segment in four provinces located in Canada. The following summary presents segmented financial information for Boardwalk REIT's business by geographic location, and reflects the activities of Boardwalk Equities Inc. for the period from January 1, 2004 to May 2, 2004 combined with the activities of Boardwalk REIT for the period from May 3, 2004 to December 31, 2004. The comparative figures represent the activities of Boardwalk Equities Inc.

Year ended December 31,	2005	2004
Alberta		
Revenue	$ 155,683	$ 149,456
Expenses		
Operating	20,088	19,282
Utilities	20,991	19,235
Utility rebates	(1,837)	(1,304)
Property taxes	13,124	12,905
	52,366	50,118
Net operating income	$ 103,317	$ 99,338
Saskatchewan		
Revenue	$ 34,460	$ 34,275
Expenses		
Operating	4,715	4,226
Utilities	4,047	4,277
Property taxes	4,977	4,440
	13,739	12,943
Net operating income	$ 20,721	$ 21,332
Ontario		
Revenue	$ 36,901	$ 36,194
Expenses		
Operating	4,906	4,436
Utilities	6,278	6,015
Property taxes	6,588	6,120
	17,772	16,571
Net operating income	$ 19,129	$ 19,623
Quebec		
Revenue	$ 64,178	$ 58,811
Expenses		
Operating	7,019	6,229
Utilities	7,618	7,839
Property taxes	7,356	6,174
	21,993	20,242
Net operating income	$ 42,185	$ 38,569
British Columbia		
Revenue	$ 5,567	$ –
Expenses		
Operating	573	–
Utilities	551	–
Property taxes	411	–
	1,535	–
Net operating income	$ 4,032	$ –
Total		
Net operating income	$ 189,384	$ 178,862
Unallocated revenue*	23,950	3,774
Unallocated expenses**	(208,304)	(177,857)
Net earnings for the period	$ 5,030	$ 4,779

As at December 31,	2005	2004
Alberta		
Identifiable assets		
Revenue producing properties	$ 934,503	$ 939,735
Mortgages and accounts receivable	5,277	297
Deferred financing costs	26,083	24,392
Tenants' security deposit	5,688	5,243
	$ 971,551	$ 969,667
Saskatchewan		
Identifiable assets		
Revenue producing properties	$ 176,116	$ 173,324
Mortgages and accounts receivable	185	102
Deferred financing costs	4,320	4,467
Tenants' security deposits	1,341	1,216
	$ 181,962	$ 179,109
Ontario		
Identifiable assets		
Revenue producing properties	$ 213,490	$ 218,740
Mortgages and accounts receivable	236	246
Deferred financing costs	3,508	3,329
	$ 217,234	$ 222,315
Quebec		
Identifiable assets		
Revenue producing properties	$ 398,109	$ 389,866
Mortgages and accounts receivable	5,032	4,465
Deferred financing costs	5,927	5,417
	$ 409,068	$ 399,748
British Columbia		
Identifiable assets		
Revenue producing properties	$ 62,014	$ –
Mortgages and accounts receivable	285	–
Tenants' security deposits	250	–
	$ 62,549	$ –
Total assets		
Identifiable assets	$ 1,842,364	$ 1,770,839
Unallocated assets***	41,022	38,300
	$ 1,883,386	$ 1,809,139

* Unallocated revenue includes property sales, interest income, revenue from discontinued operations and other non-rental income.

** Unallocated expenses include cost of property sales, operating expenses from discontinued operations, non-rental operating expenses, administration, financing costs, amortization, income taxes and other provisions.

*** Unallocated assets include properties held for development, cash, short-term investments and other assets.

NOTE 19

SUBSEQUENT EVENTS

Subsequent to December 31, 2005, Boardwalk REIT contracted to acquire 322 residential units in the province of Quebec from unrelated third parties for an aggregate purchase price of approximately $24.0 million. The acquisitions will be financed by the assumption of certain liabilities totaling $0.6 million and the balance through cash.

Subsequent to December 31, 2005, Boardwalk REIT unconditionally contracted for the sale of two properties, both located in Calgary, Alberta, for sale prices totaling $20.7 million. Both these transactions are scheduled to close in the first quarter of 2006.

QUARTERLY RESULTS

(Cdn$ Thousands, except per unit amounts)

($000's except per unit)	Q1	Q2	Q3	Q4	31-Dec-05
Total Revenues					
Revenue producing properties					
Rental income	72,816	74,140	74,731	75,791	297,478
	72,816	74,140	74,731	75,791	297,478
Operating Expenses					
Revenue producing properties	9,245	9,937	9,206	10,638	39,026
Property Taxes	7,885	8,034	8,235	8,359	32,514
Utilities	11,470	8,961	6,977	10,510	37,919
Financing costs	21,035	21,719	21,468	21,780	86,003
Amortization	18,424	18,689	18,712	19,071	74,896
	68,059	67,339	64,599	70,360	270,357
Operating earnings before corporate charges	4,757	6,801	10,132	5,431	27,121
Cash flow before corporate charges	23,181	25,490	28,844	24,503	102,017
Sales of properties held for development and resale					
Revenue	–	–	–	–	–
Cost of Sales	–	–	–	–	–
Earnings before corporate charges	4,757	6,801	10,132	5,431	27,121
Corporate charges					
Administration	6,895	7,151	7,091	6,651	27,787
Large Corporations Tax	245	(126)	251	243	613
Deferred income taxes	(88)	(744)	28	311	(493)
Provision for loss on technology	–	(739)	–	–	(739)
	7,052	5,542	7,370	7,205	27,168
Earnings (Loss) from continuing operations	(2,295)	1,259	2,763	(1,774)	(47)
Earnings (Loss) from discontinued operations, net of tax	264	1,670	167	2,977	5,077
Net Earnings (Loss) for the period	(2,031)	2,929	2,929	1,203	5,030
Earnings per unit - fully diluted	(0.04)	0.05	0.06	0.02	0.09
Funds from operations, continuing operations	16,041	18,465	21,503	17,608	73,617
Funds from operations per unit - fully diluted	0.31	0.35	0.41	0.34	1.41
Distributable income	17,317	19,403	22,321	18,827	77,868
Distributable income, per unit - fully diluted	0.33	0.37	0.42	0.35	1.46

FIVE YEAR SUMMARY

(Cdn$ Thousands, except per unit amounts)

($000's except per unit)	2001	2002	2003	2004	2005
Total Revenues	227,269	249,073	270,992	278,721	297,478
Revenue producing properties					
Rental income	205,281	241,575	270,992	278,721	297,478
	205,281	241,575	270,992	278,721	297,478
Operating Expenses					
Revenue producing properties	22,865	26,182	33,819	35,266	39,026
Property Taxes	19,743	23,664	26,217	29,672	32,514
Utilities	26,582	28,797	34,736	35,774	37,919
Financing costs	67,367	77,420	79,857	78,131	86,003
Amortization	53,584	46,691	50,766	71,452	74,896
	190,141	202,754	225,395	250,295	270,357
Operating Earnings before corporate charges	15,140	38,821	45,597	28,426	27,121
Cash flow before corporate charges	68,724	85,512	96,363	99,878	102,017
Sales of properties held for development and resale					
Revenue	21,988	7,498	–	–	–
Cost of Sales	13,939	6,531	–	–	–
Earnings before corporate charges	23,189	39,788	45,597	28,426	27,121
Corporate charges					
Administration	15,586	19,921	23,290	23,865	27,787
Large Corporations Tax	3,246	3,600	3,546	1,620	613
Deferred income taxes	(12,678)	5,406	11,761	(1,670)	(493)
Other loss (gain)	29,837	(692)	–	–	(739)
	35,991	28,235	38,597	23,815	27,168
Net Earnings (Loss) from continuing operations	(12,802)	11,553	7,000	4,611	(47)
Net Earnings (Loss) from discontinued operations, net of tax		23	751	168	5,077
Net Earnings (Loss) for the period	(12,802)	11,576	7,751	4,779	5,030
Earnings loss per unit - fully diluted	-0.26	0.23	0.15	0.09	0.09
Funds from operations, continuing operations	57,941	62,958	69,527	74,394	73,617
Funds from operations per unit - fully diluted	1.15	1.27	1.39	1.43	1.41
Rental Interest Coverage	1.91	1.86	1.92	1.97	1.93
Rental Interest Coverage (excl. gains)	1.79	1.85	1.92	1.97	1.87

Fiscal period ended December 31, 2001 was not retroactively restated in accordance with CICA handbook section 3475, disposal of long-lived assets and discontinued operations, for disposals on or after January 1, 2003.

Fiscal periods ended December 31, 2002 and 2003 were not retroactively restated in accordance with CICA handbook section 3475, disposal of long-lived assets and discontinued operations , for disposals incurred in fiscal period ended December 31, 2005.

FIVE YEAR SUMMARY

(Cdn$ Thousands, except per unit amounts)

($000's except per unit)	2001	2002	2003	2004	2005
Assets					
Revenue producing properties	1,388,171	1,611,315	1,720,664	1,740,932	1,787,878
Discontinued operations	–	–	–	–	12,758
	1,388,171	1,611,315	1,720,664	1,740,932	1,800,636
Other assets	101,120	97,175	82,716	68,207	82,750
Total assets	1,489,291	1,708,490	1,803,380	1,809,139	1,883,386
Mortgage payable	1,108,406	1,307,177	1,387,067	1,414,122	1,415,400
Discontinued operations	–	–	–	–	9,562
Other liabilities	95,901	99,568	107,811	39,501	162,682
	1,204,307	1,406,745	1,494,878	1,453,623	1,587,644
Unitholders' equity	284,984	301,745	308,502	355,516	295,742
Total liabilities and unitholders' equity	1,489,291	1,708,490	1,803,380	1,809,139	1,883,386
Trust unit outstanding (000's)	49,853	50,109	50,868	53,108	53,224
Trust unit price Year end, ($)	11.58	15.18	17.92	18.54	21.19
Market capitalization ($MM)	0.577	0.761	0.912	0.985	1.128
Number of rental units	25,889	29,326	31,239	32,159	33,298
Real estate asset value per unit	54	55	55	54	54
Mortgage payable per unit	43	45	44	44	46
Net rentable square feet (000's)	21,590	24,970	26,353	27,026	27,911
Real estate asset value per square foot	64	65	65	64	65
Mortgage payable per square foot	51	52	53	52	55
Average net rentable SF per unit	834	852	844	840	838
Mortgage weighted average interest rate	6.15%	5.88%	5.68%	5.49%	5.38%

MARKET AND UNITHOLDER INFORMATION

SOLICITORS

Stikeman Elliott
4300 Bankers Hall West
888 – 3 Street SW
Calgary, Alberta T2P 5C5

Butlin Oke Roberts & Nobles
100, 1501 - 1 Street SW
Calgary, Alberta T2R 0W1

BANKERS

Toronto Dominion Bank
355 – 4 Avenue SW
Calgary, Alberta T2P 0J1

AUDITORS

Deloitte & Touche LLP
3000, 700 – 2 Street SW
Calgary, Alberta T2P 0S7

REGISTRAR & TRANSFER AGENT

Computershare Trust Company of Canada
Our Transfer Agent can help you with a variety of unitholder related services, including change of address, tax forms, accounts consolidation and transfer of stock.
600, 530 – 8 Avenue SW
Calgary, Alberta T2P 3S8
Telephone: 403.267.6800

DISTRIBUTION REINVESTMENT PLAN

If you have any questions regarding the Plan, please contact:
Computershare Trust Company of Canada,
Dividend Reinvestment Department
100 University Ave., 9th Floor
Toronto, Ontario M5J 2Y1
Telephone: 800.564.6253
Facsimile: 416.263.9394
Toll Free Fax: 888.453.0330

CORPORATE COMMUNICATIONS

Unitholders seeking financial and operating information may contact:

Roberto Geremia, Senior Vice President, Finance and Chief Financial Officer
Madeleine Baerg, Manager, Corporate Communications
Telephone: 403 531-9255
Facsimile: 403 261-9269
Website: BoardwalkREIT.com
Email: investor@bwalk.com

ONLINE INFORMATION

For an online version of the current and past annual reports, quarterly reports, press releases and other Trust information, please visit our investor website at BoardwalkREIT.com. Using this website, you may also sign up to receive future press releases and Trust news via email.

SPECIAL MEETING

The Annual and Special Meeting of the Unitholders of Boardwalk REIT will be held at the Metropolitan Conference Centre, 333 Fourth Avenue SW, Calgary Alberta, at 3:00 pm (Calgary time) on May 10th, 2006. Unitholders are encouraged to attend and those unable to do so are requested to complete the Form of Proxy and forward it at their earliest convenience.

EXCHANGE LISTINGS

The Toronto Stock Exchange
Symbol: **BEI.UN**

TRADING PROFILE

TSX: Jan 1, 2005 to Dec. 31, 2005
High: $22.00
Low: $17.45
Year-end Closing Price: 21.19
Volume: 24,806,979

*effective May 3, 2004, Boardwalk was converted into a Real Estate Investment Trust from its predecessor, Boardwalk Equities Inc.

MONTHLY DISTRIBUTIONS		
Amount	Record Date	Payment Date
$0.105	31-Jan-05	15-Feb-05
$0.105	28-Feb-05	15-Mar-05
$0.105	31-Mar-05	17-Apr-05
$0.105	29-Apr-05	13-May-05
$0.105	31-May-05	15-Jun-05
$0.105	30-Jun-05	15-Jul-05
$0.105	29-Jul-05	15-Aug-05
$0.105	31-Aug-05	15-Sep-05
$0.105	30-Sep-05	17-Oct-05
$0.105	31-Oct-05	15-Nov-05
$0.105	30-Nov-05	15-Dec-05
$0.105	30-Dec-05	16-Jan-06
$0.105	31-Jan-06	15-Feb-06

Corporate Information

EXECUTIVE OFFICES

Calgary
First West Professional Building
Suite 200, 1501 – 1 Street SW
Calgary, Alberta T2R 0W1
Phone: 403.531.9255
Fax: 403.531.9565
Web: www.boardwalkREIT.com

Toronto
BCE Place
27th Floor, Canada Trust Tower
161 Bay Street
Toronto, Ontario M5J 2S1
Phone: 416.572.2752
Fax: 416.572.4051

BOARD OF TRUSTEES

SENIOR MANAGEMENT

Jonathan Brimmell
Vice President, Operations, Ontario and Quebec

Dean Burns
Vice President, Legal Affairs

William Chidley
Senior Vice President, Corporate Development

Jean Denis
Vice President, Acquisitions, Quebec and Atlantic Canada

Roberto A. Geremia
Senior Vice President, Finance and Chief Financial Officer

Michael Guyette
Vice President, Technology

Sam Kolias
President & Chief Executive Officer

Van Kolias
Senior Vice President, Quality Control

Helen Mix
Vice President, Human Resources

Kim O'Brien
Vice President, Investments

Shaun Renneberg
Vice President, Capital Projects

Lisa Russell
Vice President, Acquisitions, Western Canada

Kelly Mahajan
Vice President, Customer Service and Process Design

Kevin P. Screpnechuk
Senior Vice President, Rental Operations

Lizaine Wheeler
Vice President, Operations, Southern Alberta, British Columbia and Saskatchewan

William Wong
Vice President and Controller

Produced by Rhino Corporate Communications Inc. Photo credits: Rhino, Brian Harder Photography & Boardwalk archives.

BOARDWALK REIT
First West Professional Building
Suite 200, 1501 – 1 Street SW
Calgary, Alberta T2R 0W1
Phone: 403.531.9255 Fax: 403.531.9565
Website: www.boardwalkREIT.com